UNITED STATES TARIFF COMMISSION

Operation of the

TRADE AGREEMENTS PROGRAM

11th Report

July 1957–June 1958

[GPO Cl. No.
TC 1.9 : 204]

Report No. 204
Second Series

REPORTS OF THE UNITED STATES TARIFF COMMISSION ON THE OPERATION OF THE TRADE AGREEMENTS PROGRAM

Operation of the Trade Agreements Program, June 1934 to April 1948 (Rept. No. 160, 2d ser., 1949):

* Part I.	Summary
* Part II.	History of the Trade Agreements Program
* Part III.	Trade-Agreement Concessions Granted by the United States
* Part IV.	Trade-Agreement Concessions Obtained by the United States
* Part V.	Effects of the Trade Agreements Program on United States Trade

*Operation of the Trade Agreements Program: Second Report, April 1948–March 1949 (Rept. No. 163, 2d ser., 1950)

*Operation of the Trade Agreements Program: Third Report, April 1949–June 1950 (Rept. No. 172, 2d ser., 1951)

*Operation of the Trade Agreements Program: Fourth Report, July 1950–June 1951 (Rept. No. 174, 2d ser., 1952)

*Operation of the Trade Agreements Program: Fifth Report, July 1951–June 1952 (Rept. No. 191, 2d ser., 1954)

*Operation of the Trade Agreements Program: Sixth Report, July 1952–June 1953 (Rept. No. 193, 2d ser., 1954)

*Operation of the Trade Agreements Program: Seventh Report, July 1953–June 1954 (Rept. No. 195, 2d ser., 1955)

Operation of the Trade Agreements Program: Eighth Report, July 1954–June 1955 (Rept. No. 197, 2d ser., 1956), 55¢

Operation of the Trade Agreements Program: Ninth Report, July 1955–June 1956 (Rept. No. 199, 2d ser., 1957), 65¢

Operation of the Trade Agreements Program: 10th Report, July 1956–June 1957 (Rept. No. 202, 2d ser., 1959), 50¢

MISCELLANEOUS SERIES

United States Import Duties (1958), $3.00 (subscription price); $1.00 additional for foreign mailing

Forty-second Annual Report of the United States Tariff Commission (1958), 30¢

NOTE.—The reports preceded by an asterisk (*) are out of print. Those followed by a price may be purchased from the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C. All U.S. Tariff Commission reports reproduced by the Government Printing Office may also be consulted in the official depository libraries throughout the United States.

UNITED STATES TARIFF COMMISSION

Operation of the

TRADE AGREEMENTS PROGRAM

11th Report

July 1957–June 1958

PREPARED IN CONFORMITY WITH SECTION 350(e)(2)
OF THE TARIFF ACT OF 1930, AS AMENDED

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1960

Report No. 204 Second Series

UNITED STATES TARIFF COMMISSION

Address all communications
UNITED STATES TARIFF COMMISSION
Washington 25, D. C.

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington 25, D.C. - Price 60 cents

Foreword

This, the 11th report of the United States Tariff Commission on the operation of the trade agreements program, covers the period from July 1, 1957, through June 30, 1958. The 11th report has been prepared in conformity with the provisions of section 350(e)(2) of the Tariff Act of 1930, as amended, which requires the Tariff Commission to submit to the Congress, at least once a year, a factual report on the operation of the trade agreements program.[1] Before the amendment of the Tariff Act of 1930 by the Trade Agreements Extension Act of 1955, various Executive orders had directed the Commission to prepare similar annual reports and to submit them to the President and to the Congress.

During the period covered by the 11th report, the Contracting Parties to the General Agreement on Tariffs and Trade did not sponsor any multilateral tariff negotiations of the Geneva-Annecy-Torquay type. Shortly before the close of the period covered by the report, however, they commenced negotiations with Switzerland looking toward its provisional accession to the General Agreement. During the period covered by the report the United States engaged in limited trade-agreement negotiations, under article XXV of the General Agreement with Brazil and under article XXVIII with Austria, Canada, Ceylon, Greece, and the Union of South Africa. The report describes the initiation of the negotiations with these countries; the negotiations were not completed with any of these countries by June 30, 1958.

The 11th report also covers other important developments during 1957–58 with respect to the trade agreements program. These include the new legislation relating to the extension of the President's authority to conclude trade agreements; the proposed legislation concerning United States participation in the Organization for Trade Cooperation; the establishment by Executive order of the Cabinet-level Trade Policy Committee; the major developments relating to the general provisions and administration of the General Agreement; the actions of the United States relating to its trade agreements program; and the changes made in tariffs, exchange controls, and quantitative trade restrictions by countries with which the United States has trade agreements.

[1] Sec. 350(e)(1) of the Tariff Act of 1930, as amended, requires the President to submit to the Congress an annual report on the operation of the trade agreements program. In accordance with this requirement, the President on May 19, 1958, transmitted to the Congress his second annual report (H. Doc. 384, 85th Cong., 2d sess., 1958). The requirements for the reports by the Tariff Commission and the President were added to sec. 350 by sec. 3(d) of the Trade Agreements Extension Act of 1955.

CONTENTS

Chapter 1. United States Trade Agreements Legislation and Procedures

Chapter 2. Developments Relating to the Operation of the General Agreement on Tariffs and Trade

Chapter 2. Developments Relating to the Operation of the General Agreement on Tariffs and Trade—Continued

Chapter 2. Developments Relating to the Operation of the General Agreement on Tariffs and Trade—Continued

Chapter 3. Actions of the United States Relating to Its Trade Agreements Program

Chapter 3. Actions of the United States Relating to Its Trade Agreements Program—Continued

Chapter 4. Developments in Trade Restrictions, Exchange Controls, and Tariffs in Countries With Which the United States Has Trade Agreements

APPENDIXES

Chapter 1

United States Trade Agreements Legislation and Procedures

INTRODUCTION

During the period covered by this report[1] the United States conducted its trade agreements program under the Trade Agreements Act of 1934,[2] as amended, the Trade Agreements Extension Act of 1951,[3] as amended, and the Trade Agreements Extension Act of 1955.[4]

Since the President's authority to negotiate trade agreements under the Trade Agreements Extension Act of 1955 was due to expire on June 30, 1958, the administration took action shortly before the convening of the second session of the 85th Congress to obtain an extension of that authority. The proposals that the administration outlined on December 3, 1957, were subsequently embodied in House bill 10368 and in several identical bills. In its consideration of House bill 10368 the House Committee on Ways and Means adopted a number of amendments and directed its chairman to introduce a committee bill to supersede House bill 10368 and companion bills. The committee bill—House bill 12591—was passed by the House on June 11, 1958, and was introduced in the Senate on the following day. Since House bill 12591 as reported by the Senate Com-

[1] The first report in this series was U.S. Tariff Commission, *Operation of the Trade Agreements Program, June 1934 to April 1948*, Rept. No. 160, 2d ser., 1949. Hereafter that report will be cited as *Operation of the Trade Agreements Program* (1st report). The 2d, 3d, and succeeding reports of the Tariff Commission on the operation of the trade agreements program will hereafter be cited in a similar short form. Copies of the Commission's 8th, 9th, and 10th reports on the operation of the trade agreements program may be purchased from the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C. The earlier reports are out of print.

[2] 48 Stat. 943.

[3] 65 Stat. 72.

[4] 69 Stat. 162.

For the provisions and legislative history of the Trade Agreements Act of 1934 and the subsequent extension acts, see *Operation of the Trade Agreements Program* as follows: 1st report, pt. II, ch. 2; 2d report, ch. 2; 3d report, ch. 2; 4th report, ch. 2; 6th report, ch. 2; 7th report, ch. 2; 8th report, ch. 1; 9th report, ch. 1.

For the text of the Trade Agreements Act of 1934, as amended, and the Trade Agreements Extension Act of 1951, as amended, see appendix A and appendix B to this report.

mittee on Finance and as passed by the Senate on July 22, 1958, differed in a number of respects from the House version of the bill, it was sent to conference. The House adopted the conference report on August 7, 1958, and the Senate, on August 11. The President approved House bill 12591, as amended, on August 20, 1958.[5]

House bill 6630, which would authorize the President to accept membership for the United States in the proposed Organization for Trade Cooperation (OTC), was introduced in the House of Representatives on April 4, 1957, in response to the President's recommendation that Congress enact such legislation. The Committee on Ways and Means did not report on House bill 6630 during the first session of the 85th Congress, and the President did not recommend enactment of legislation authorizing United States membership in OTC during the second session of that Congress. By June 30, 1958, the close of the period covered by this report, the Committee on Ways and Means had not reported on House bill 6630.[6]

During the period covered by this report, the President—by Executive Order 10741 of November 25, 1957—established the Cabinet-level Trade Policy Committee to assist him in administering the United States trade agreements program. The Committee consists of the Secretaries of State, Treasury, Defense, Interior, Agriculture, Commerce, and Labor, with the Secretary of Commerce as chairman. The Trade Policy Committee reviews—among other matters—recommendations of the Interdepartmental Committee on Trade Agreements before they are sent to the President, and advises the President with respect to the recommendations that the United States Tariff Commission makes in escape-clause cases.[7]

TRADE AGREEMENTS EXTENSION ACT OF 1955[8]

The Trade Agreements Extension Act of 1955[9] (sec. 2) extended from June 12, 1955, until the close of June 30, 1958, the period during which

[5] Although final action on the Trade Agreements Extension Act of 1958 took place after June 30, 1958, its legislative history and its principal provisions are discussed in this report in order to provide a complete account of the new act.

[6] See the subsequent section of this chapter on proposed legislation concerning U.S. participation in OTC.

[7] See the subsequent section of this chapter on establishment of the Trade Policy Committee.

[8] This section discusses only those provisions of the Trade Agreements Extension Act of 1955 that authorized the President to enter into trade agreements and to reduce United States import duties pursuant to commitments in such agreements. Other provisions of the extension act of 1955, such as those amending the escape-clause procedure and establishing the so-called national security provision, were discussed in detail in *Operation of the Trade Agreements Program* (10th report), ch. 1.

[9] Public Law 86, 84th Cong. (69 Stat. 162).

the President was authorized to enter into trade agreements with foreign countries. The extension act of 1955 (sec. 3) also authorized the President to reduce United States import duties pursuant to trade-agreement negotiations by either of two alternative methods. The first method permitted reductions in import duties of not more than 15 percent of the rates existing on January 1, 1955.[10] Under this provision the amount of reduction that might become initially effective at one time could not exceed 5 percent of the rate that existed on January 1, 1955. No part of any such reduction after the first part could become initially effective until the immediately preceding part had been in effect for not less than 1 year, and no part of any reduction could become initially effective after the expiration of the 3-year period which began on July 1, 1955 (that is, after June 30, 1958). In effect, this method authorized the President to reduce United States rates of duty by a maximum of 5 percent of the rates that existed on January 1, 1955, in each of 3 consecutive 12-month periods; the last such period, which began on July 1, 1957, is the period covered by this report. The President's authority to make such reductions was not cumulative from period to period.

The second method permitted the reduction of import duties that were higher than 50 percent ad valorem (or the equivalent thereof) to a rate of 50 percent ad valorem (or the equivalent thereof). Under this provision also, not more than one-third of the reduction in rates of duty could become initially effective at one time, and no part of any reduction after the first part could become initially effective until the immediately preceding part had been in effect for not less than 1 year. In contrast to the first method, however, reductions in rates of duty under the second method could become effective after June 30, 1958. The President might, therefore, reduce rates of duty under the second method after June 30, 1958, if such reduction was required to carry out a trade-agreement commitment entered into on or before that date.

TRADE AGREEMENTS EXTENSION ACT OF 1958

Proposals by the Administration

Inasmuch as the President's authority to negotiate trade agreements under the Trade Agreements Extension Act of 1955 was due to expire on June 30, 1958, the administration took action shortly before the convening of the second session of the 85th Congress to obtain an extension of that authority. On December 3, 1957, the President outlined for congressional leaders the main features of the administration's proposals.

[10] The President was authorized to exceed—within carefully specified limits—the duty-reduction limitations set forth in the act if he determined that such action would simplify the computation of the import duties involved.

In a joint press release issued a few days later,[11] the Secretary of Commerce[12] and the Deputy Secretary of State for Economic Affairs explained these proposals in greater detail.

The administration proposed that the President's authority to enter into trade agreements be extended for a period of 5 years from the date of its expiration on June 30, 1958. During this period the President would be authorized to reduce any rate of duty existing on July 1, 1958, by one of the following three alternative methods:

1. By 5 percent of the duty annually for 5 successive years, or by a total of 25 percent. As an alternative to this method, the President would be authorized to reduce an import duty by 25 percent over a 3-year period, provided no annual reduction exceeded 10 percent.

2. By 3 percentage points ad valorem, provided no annual reduction exceeded 1 percentage point.

3. To 50 percent ad valorem, or the equivalent thereof in the form of specific or compound rates. Under this method not more than one-third of the total reduction could be made in any one year.

Under the administration's proposals, the safeguards in existing trade agreements legislation for the protection of domestic industries against serious injury (as, for example, the "peril point" and "escape clause" provisions) would be retained. Moreover, to make possible prompter and more effective action in cases of serious injury to domestic industries, the administration sought two changes in the then existing escape-clause and peril-point procedures. First, it sought additional authority to increase import duties in order to provide relief for domestic industries whenever, in escape-clause investigations, the Tariff Commission should find such relief necessary. This objective was to be attained by authorizing the President to increase the rates of duty in such instances by as much as 50 percent above the rates that were in effect on July 1, 1934, instead of 50 percent above the generally lower rates that were in effect on January 1, 1945, as provided in the existing legislation. Second, the administration sought to make mandatory the prompt institution of an escape-clause investigation by the Tariff Commission whenever a peril-point investigation disclosed that, with respect to any article on which a tariff concession has been granted, an increase in duty or additional import restriction was required to avoid serious injury to the domestic industry concerned.

On January 30, 1958, in a special message to the Congress,[13] the President requested that the Congress enact legislation to give effect to the above-mentioned proposals. After discussing the importance of the trade

[11] U.S. Department of State and U.S. Department of Commerce, joint press release No. 660, Dec. 9, 1957.

[12] Acting in his capacity as chairman of the Trade Policy Committee.

[13] H. Doc. 320 (85th Cong., 2d sess.), 1958.

agreements program to the domestic economy and to the foreign trade of the United States, the President stated that the Secretary of Commerce would transmit to the Congress the administration's legislative proposals.

Legislative History

The administration's proposals to extend the President's trade-agreement authority, which were transmitted to the Speaker of the House of Representatives by the Secretary of Commerce on January 30, 1958, were embodied in House bill 10368 and in House bills 10369, 10370, and 10371 (identical bills).[14] These bills were introduced in the House of Representatives on January 30, 1958, and were referred to the Committee on Ways and Means. The committee held hearings on House bill 10368 from February 17 to March 25, 1958.[15]

In considering House bill 10368, the Committee on Ways and Means adopted a number of amendments and directed its chairman to introduce a committee bill to supersede House bill 10368 and companion bills. The new bill—House bill 12591—was reported to the House on May 21, 1958.[16] In its report the committee made only minor changes in those provisions of House bill 10368 that related to the President's authority to reduce import duties pursuant to trade agreements. The new bill, like House bill 10368, proposed to extend the President's authority to enter into trade agreements through June 30, 1963. It also authorized him to reduce import duties, pursuant to trade agreements, by any one of the three alternative methods proposed by the administration, except that the second method proposed in House bill 12591 authorized a reduction of 2 instead of 3 percentage points ad valorem. House bill 12591 also followed the administration's proposals in authorizing the President to increase rates of duty to a level 50 percent above those existing on July 1, 1934, instead of 50 percent above those existing on January 1, 1945, as provided by law since 1945. It also included the administration's proposal to amend the peril-point provisions by making it mandatory that the Tariff Commission promptly institute an escape-clause investigation whenever a peril-point investigation disclosed that, with respect to any article on

[14] Besides those that embodied the administration's proposals for extending the President's authority to enter into trade agreements, a number of other bills relating to the extension of that authority were introduced in the House of Representatives during the second session of the 85th Congress. These bills, which were referred to the Committee on Ways and Means but were not reported on by that committee, included H. R. 11134 (and two identical bills), introduced on Mar. 4, 1958; H.R. 11250, introduced on Mar. 10, 1958; H.R. 11462 (and an identical bill), introduced on Mar. 18, 1958; and H.R. 12676, introduced on May 26, 1958.

[15] U.S. Congress, *Renewal of Trade Agreements Act: Hearings Before the Committee on Ways and Means, House of Representatives*, pts. 1 and 2 (85th Cong., 2d sess.), 1958.

[16] U.S. Congress, *Trade Agreements Extension Act of 1958: Report of the Committee on Ways and Means, House of Representatives, To Accompany H.R. 12591 . . .*, H. Rept. 1761 (85th Cong., 2d sess.), 1958.

which a tariff concession has been granted, an increase in duty or additional import restriction is required to avoid serious injury to the domestic industry concerned.

The more important amendments to House bill 10368 that the Committee on Ways and Means incorporated in the new bill related principally to the escape-clause, peril-point, and national security provisions of the existing trade agreements legislation. These amendments were as follows:

(1) A provision requiring the Tariff Commission to complete an escape-clause investigation and to make a report thereon within 6 months, instead of 9 months as provided in the then existing trade agreements legislation;

(2) A provision giving the Tariff Commission explicit subpena powers to obtain necessary information relevant to its trade-agreement responsibilities;

(3) A provision making it possible—in escape-clause cases—to subject to import duties of up to 50 percent ad valorem commodities that had been bound on the free list in trade agreements;

(4) An addition to the escape-clause provision making it clear that the term "interested party," as applied to applicants for escape-clause investigations, would include any organization or group of employees;

(5) A provision permitting the Congress to override the President's rejection of a Tariff Commission recommendation for escape-clause action by adopting a concurrent resolution by a two-thirds vote in each House; and

(6) A provision requiring the Director of the Office of Defense Mobilization (now the Office of Civil and Defense Mobilization (OCDM)),[17] upon the request of the head of any department or agency, upon application by an interested party, or upon his own motion, to make an investigation to determine whether imports of a particular commodity were threatening to impair the national security.

Under the last proposed amendment, when the Director of the OCDM concluded that such a threat existed he was to so advise the President; if the Director's opinion was concurred in by the President he was to take such remedial action as he deemed necessary. This amendment to House bill 12591 would have eliminated the requirement in earlier legislation that the President himself direct that an investigation be made when the Director of OCDM advised him that imports of a particular commodity were threatening to impair the national security. The amendments to the national security section also went beyond the provisions of earlier legislation in specifying some of the factors that the Director and the President were to consider in national security investigations.

[17] On July 1, 1958, the Office of Defense Mobilization was merged with the Federal Civil Defense Administration to form the Office of Defense and Civilian Mobilization. In September 1958 the name was changed to Office of Civil and Defense Mobilization.

House bill 12591 was debated in the House of Representatives under a rule (H. Res. 578) whereby only the clarifying amendments of the Ways and Means Committee and the so-called Simpson bill (H.R. 12676) could be considered by the House.

The provisions of the Simpson bill differed considerably from those of the committee bill (H.R. 12591), for which it was offered as a substitute. For example, the Simpson bill proposed that the President's authority to conclude trade agreements be extended for 2 years instead of 5 years, and provided less tariff-reducing authority. The Simpson bill also provided that the Tariff Commission, rather than the President, should prepare the preliminary lists of imported articles to be considered for concessions in trade-agreement negotiations. Under the Simpson bill, such lists were to include not only all articles on which the Commission considered that import duties might be reduced, but also those on which the Commission considered the existing duties or other import restrictions to be inadequate to prevent imports from causing or threatening serious injury to the domestic industry producing like or directly competitive articles. Under the Simpson bill the Commission—in making peril-point determinations for each article on the lists—would have been required to make comparative cost-of-production studies, based on data to be supplied in part by the foreign country most interested in exporting the particular article to the United States. Should the country concerned not supply such data, the bill required that the article be dropped from the final list. After its investigation the Commission was to transmit to the President a final list of articles, with "peril points" for each article. The President would not be permitted to add any article to the list. Moreover, if he took any action that exceeded the limitations specified by the Tariff Commission, such action could not become effective until it was approved by the Congress. Another provision of the Simpson bill would have required the President, in escape-clause cases, to make effective the remedial measures that the Tariff Commission recommended unless he obtained congressional approval of a different course of action.

After limited debate the House rejected the Simpson bill on June 11, 1958, by a vote of 234 to 147, and passed the committee bill—House bill 12591—by a vote of 317 to 98. The only change made in the committee bill on the floor of the House was an amendment that related to investments, exploration, and development necessary to assure the growth of industries essential to the national security.

On June 12, 1958, House bill 12591 was introduced in the Senate and referred to the Committee on Finance. The committee held hearings on the bill from June 20 through July 3, 1958, and reported it to the Senate on July 15.

As reported by the Senate Committee on Finance, House bill 12591 differed in a number of respects from the bill as it was passed by the

House. Whereas the bill as passed by the House authorized a 5-year extension of the trade agreements authority and a 25-percent reduction in rates of duty, the Senate Finance Committee's version provided for a 3-year extension and a 15-percent reduction in rates of duty at the rate of not more than 5 percent a year. As passed by the House the bill had provided that, in escape-clause cases, Presidential rejection of a Tariff Commission recommendation would stand unless it was overridden by a two-thirds vote of each House of Congress; in the Finance Committee's version the President's rejection would not stand unless it was ratified by a majority vote in each House of Congress. Moreover, the Finance Committee's amendment required that should the Tariff Commission's vote on an escape-clause investigation be evenly divided, the recommendation that afforded the greatest measure of relief to the domestic industry would be considered as the finding of the Commission.

The national-security section of the House bill was amended in several respects by the Senate Committee on Finance. Among the amendments was a provision that a weakening of segments of the economy through injury to any industry, whether such industry was vital to the direct defense or was a part of the economy that provided employment and sustenance to individuals or localities, must be recognized as a threat to the national security.

When House bill 12591 as amended by the Senate Committee on Finance reached the floor, the Senate adopted an amendment proposed by Senator Lyndon B. Johnson to eliminate amendments to the escape-clause provision of the bill so as to continue the then existing law with respect thereto.[18] Other changes that the Senate adopted included the Capehart amendment, which would require the Tariff Commission to investigate and to report on the desirability of bringing about a relationship between the rates of duty on imported articles and the ratio of the wages paid in their production to the wages paid in the United States for production of competitive articles; a Purtell amendment, which would permit the President to convert specific duties existing on July 1, 1934, to their 1934 ad valorem equivalents and to increase rates by not more than 50 percent above such 1934 equivalents; an Ervin amendment, which would require the Tariff Commission in peril-point investigations to ascertain the invoice price (if available) at which a foreign article is sold for export to the United States and the wholesale price of like domestic articles sold in the United States; a Byrd amendment of a technical nature; a Morse amendment to the escape-clause provisions, which would include in the term "domestic industry" producers of the raw or processed agricultural or horticultural materials from which like or directly com-

[18] In offering the amendment, Senator Johnson was acting for himself and for Senators William F. Knowland, Edward Martin, John J. Williams, Paul H. Douglas, and Harry F. Byrd.

petitive articles are produced;[19] the Humphrey amendment, which would direct the Tariff Commission—in escape-clause investigations—to explore the possibility of alternative employment of workers involved; and the Javits amendment, which related to assistance to small business that might be injured by imports.

After its adoption of the amendments mentioned above and its rejection of others, the Senate passed House bill 12591 on July 22, 1958, by a vote of 72 to 16. On the same day the Senate requested a conference with the House and appointed its conferees. The House agreed to the Senate's request on July 23, and appointed its own representatives to the conference committee.

In its report,[20] filed on August 6, 1958, the conference committee recommended—

(1) Extension of the President's authority to enter into trade agreements for 4 years, instead of 5 years as proposed in the bill passed by the House or 3 years as proposed in the bill passed by the Senate;

(2) Limitation of the President's power to reduce rates of duty to a total of 20 percent of the rate existing on July 1, 1958, instead of 25 percent as proposed by the House or 15 percent as proposed by the Senate;

(3) Adoption of the Purtell amendment with technical changes;

(4) Adoption of the provision in the House bill for congressional review of any Presidential rejection of Tariff Commission recommendations in escape-clause cases;

(5) Adoption of the Senate amendment to House bill 12591 which concerned the relationship of the economic welfare of the Nation and that of individual industries to the national security; and

(6) Adoption, with clarifying changes and the addition of the phrase "to the extent practicable," of the Senate amendment requiring the Tariff Commission in peril-point investigations to obtain price data for competitive imported and domestic articles, and to estimate the maximum increase in annual imports which may occur without causing injury to the domestic industry producing like or directly competitive articles.

On August 7, 1958, the House of Representatives adopted the conference report on House bill 12591 by a vote of 161 to 56; on August 11 the Senate adopted the report by a vote of 72 to 18. House bill 12591, as thus amended, was approved by the President on August 20, 1958.

---

[19] Offered by Senator Wayne Morse for himself and for Senators Henry M. Jackson and Warren G. Magnuson.

[20] U.S. Congress, *Trade Agreements Extension Bill of 1958: Conference Report, To Accompany H.R. 12591*, H. Rept. 2502 (85th Cong., 2d sess.), 1958.

Provisions of the New Act

The Trade Agreements Extension Act of 1958[21] extends from the close of June 30, 1958, until the close of June 30, 1962, the period during which the President is authorized to enter into foreign trade agreements under section 350 of the Tariff Act of 1930, as amended.[22] This 4-year period—the longest single period for which the President's trade agreements authority has been extended—contrasts with the 5-year extension requested by the administration. The President's authority to reduce rates of duty under the 1958 act is also somewhat less than that requested by the administration. In certain other respects the new legislation differs from the administration's proposals and from the legislation in effect immediately before the effective date of the new act. The principal provisions of the Trade Agreements Extension Act of 1958 are discussed below.

Authority to reduce rates of duty

The Trade Agreements Extension Act of 1958 provides that the President may, pursuant to trade agreements, reduce the rate of duty on an article to the lowest rate resulting from the application of any one of three alternative methods. Under the first method the rate of duty on an article may be reduced by as much as 20 percent of the rate applicable on July 1, 1958. Under the second method the rate of duty existing on July 1, 1958, may be reduced by 2 percentage points, except that no duty may be entirely removed. Under the third method any rate of duty may be reduced to 50 percent ad valorem or, in the case of a specific or compound rate of duty, to a rate or combination of rates equivalent to 50 percent ad valorem.

Under the provisions of the extension act of 1958, the rate of duty on an article on July 1, 1958, determines which of these three methods would result in the maximum permissible reduction. Thus rates of less than 10 percent ad valorem may be reduced in greatest degree by employing the second method (reduction by 2 percentage points); and those between 10 percent and 62½ percent, by the first method (reduction by 20 percent). For rates exceeding 62½ percent the maximum permissible reduction would be accomplished by using the third method (reduction to 50 percent ad valorem, or its equivalent).[23]

In applying the second and third methods of rate reduction, in which the permissible reduction is stated in ad valorem terms, the base rate must, of course, also be stated on an ad valorem basis. The law, therefore, specifies that for specific and compound rates of duty, its provisions shall apply on

[21] Public Law 85–686 (72 Stat. 673).

[22] Sec. 350 of the Tariff Act of 1930, as amended, is commonly referred to as the Trade Agreements Act of 1934, as amended.

[23] The first and second methods would give identical results if applied to a rate of exactly 10 percent ad valorem, and the first and third methods, if applied to a rate of exactly 62½ percent ad valorem.

the basis of the ad valorem equivalents of such rates of duty during a period determined by the President to be representative.

The Trade Agreements Extension Act of 1958 provides that, regardless of the method that is employed in reducing a rate of duty, the reduction may be effected in not more than 4 annual stages. Separate stages must be at least 1 year apart, and the last stage must not be later than 3 years after the first stage. In no stage may the reduction exceed 10 percent of the base rate of duty under the first method, 1 percentage point under the second method, or one-third of the total amount of the reduction under the third method.

Even though a rate of duty may have been increased after July 1, 1958 (as, for example, by termination of a bilateral trade agreement), it may be reduced to the same level as if it had not been so increased. This is because under the provisions of the Trade Agreements Extension Act of 1958, the rate of duty existing on July 1, 1958, is without exception the base for determining the permissible reductions in duty. In situations of this kind the limitations on the amount of the reduction that may become effective at one time are either those set forth above or one-third of the total permissible reduction, whichever is the greater. Unlike the 1955 extension act, which forbade the use of any of the rate-reducing authority under the first alternative after the expiration of the period of extension of authority to enter into trade agreements, the 1958 act permits utilization of the full amount of the authority provided by any one of these alternatives, to carry out any trade agreement entered into during the 4-year period ending June 30, 1962. The reductions may be put into effect at any time during that period or thereafter, except that no part of any decrease may come into effect for the first time later than June 30, 1966.

Authority to increase rates of duty

The Trade Agreements Extension Act of 1958 authorizes the President to increase by as much as 50 percent any rate of duty in effect on July 1, 1934. Under legislation in effect before the Trade Agreements Extension Act of 1958 was approved, the President had authority to increase by as much as 50 percent any rate of duty in effect on January 1, 1945. The new act also provides that a specific rate of duty existing on July 1, 1934, may be converted to its ad valorem equivalent based on the value of imports of the article concerned during the calendar year 1934, and that an ad valorem rate of duty not in excess of 50 percent above such ad valorem equivalent may be imposed on the article.

The trade agreements legislation in effect before passage of the extension act of 1958 forbade the transfer of any article from the dutiable to the free list, or vice versa. The President, therefore, had no authority to impose an import duty on an article that had been bound on the free list in a trade agreement.[24] The extension act of 1958 continues the prohibition against transferring an article from one list to the other, but authorizes the President—in carrying out the escape-clause provisions of the trade agreements legislation—to impose a duty not in excess of 50 percent ad valorem on any article not otherwise subject to duty. Imposition of such a duty, of course, would be only for the time necessary to prevent or remedy injury to the domestic industry concerned.

Escape-clause provisions

The Trade Agreements Extension Act of 1958 continues the escape-clause provisions of the Trade Agreements Extension Act of 1951, as amended, but makes certain changes in the escape-clause procedure.

Section 7 of the Trade Agreements Extension Act of 1951, as amended (which established a statutory escape-clause procedure), provides that the Tariff Commission, upon the request of the President, upon resolution of either House of Congress, upon resolution of either the Senate Committee on Finance or the House Committee on Ways and Means, upon its own motion, or upon application by any interested party, must promptly conduct an investigation to determine whether any product on which a trade-agreement concession has been granted is, as a result, in whole or in part, of the customs treatment reflecting such concession, being imported in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products. In arriving at its findings and conclusions, the Commission is required to consider several factors expressly set forth in section 7(b) of the extension act of 1951, as amended.

Should the Commission find, as a result of its investigation, the existence or threat of serious injury as a result of increased imports, either actual or relative, due, in whole or in part, to the customs treatment reflecting the concession, it must recommend to the President, to the extent and for the time necessary to prevent or remedy such injury, the withdrawal or modification of the concession, or the suspension of the concession in whole or in part, or the establishment of an import quota. The Commission must immediately make public its findings and recommendations to the President, including any dissenting or separate findings and recommendations, and must publish a summary thereof in the *Federal Register*. When, in the Commission's judgment, there is no sufficient reason to recommend to the President that a trade-agreement concession be modified or withdrawn, the Commission must make and publish a report stating its findings and conclusions.

The Trade Agreements Extension Act of 1958 reduces from 9 months to 6 months the period within which the Tariff Commission should make a

[24] The President was not prohibited, however, from imposing quantitative restrictions on imports of such an article.

report in an escape-clause investigation. It also makes an important change in the escape-clause procedure by providing that the Congress may override the President's rejection in whole or in part of a Tariff Commission recommendation for escape-clause action. Under earlier legislation the President was merely required to report to the Congress, stating his reasons, when he did not follow the Commission's recommendation in an escape-clause case. The new law continues the requirement that the President make such a report to the Congress. It provides, however, that the Congress may, by adopting a concurrent resolution by a two-thirds vote in each House, override the President's rejection of a Tariff Commission recommendation for escape-clause action. Within 15 days after the Congress adopts such a resolution, the President is required to place in effect the Commission's recommendation.

Peril-point provisions

The Trade Agreements Extension Act of 1958 continues the statutory requirements for so-called peril-point determinations in connection with proposed trade-agreement negotiations, but makes certain changes in and additions to the peril-point procedure. The peril-point provisions of the Trade Agreements Extension Act of 1951, as amended, require the President, before entering into any trade-agreement negotiation, to transmit to the Tariff Commission a list of the commodities that may be considered for concessions. The Commission is then required to make an investigation, in the course of which it must hold a public hearing, and to report its findings to the President on (1) the maximum decrease in duty, if any, that can be made on each listed commodity without causing or threatening serious injury to the domestic industry producing like or directly competitive products; or (2) the minimum increase in the duty or the additional import restrictions that may be necessary on any of the listed products to avoid serious injury to such domestic industry. The President may not conclude a trade agreement until the Commission has submitted its report to him or until the expiration of the period specified for completion by the Tariff Commission of its peril-point investigation. Should the President conclude a trade agreement that provides for greater reductions in duty than the Commission specifies in its report, or that fails to provide for the minimum increase in duty or the additional import restrictions specified, he must transmit to the Congress a copy of the trade agreement in question, identifying the articles concerned and stating his reason for not acting in accordance with the Tariff Commission's findings.

The Trade Agreements Extension Act of 1958 increases from 120 days to 6 months the period specified for the Tariff Commission to complete a peril-point investigation. The new extension act also requires that the Commission promptly institute an escape-clause investigation with respect to any article on the President's list upon which a tariff concession has been granted, whenever the Commission finds in a peril-point investigation that an increase in duty or additional import restriction is required to avoid serious injury to the domestic industry producing like or directly competitive articles.

The new act also provides that in a peril-point investigation the Commission shall, to the extent practicable and without excluding other factors, ascertain for the last calendar year preceding the investigation the average invoice price at which a listed foreign article was sold for export to the United States, and the average prices at which the like or directly competitive domestic articles were sold at wholesale in the principal markets of the United States. Moreover, the Commission is required, also to the extent practicable, to estimate for each article on the President's list the maximum increase in annual imports which may occur without causing serious injury to the domestic industry producing like or directly competitive articles.

National security provision

The so-called national security amendment enacted in section 7 of the Trade Agreements Extension Act of 1955 provided that whenever the Director of the Office of Defense Mobilization[25] has reason to believe that any article is being imported into the United States in such quantities as to threaten to impair the national security, he shall so advise the President. If the President agrees that there is reason for such belief, he shall cause an immediate investigation to be made to determine the facts. If, on the basis of such investigation and of findings and recommendations made in connection therewith, the President finds that the article is being imported in such quantities as to threaten to impair the national security, he shall take such action as he deems necessary to adjust imports of the article to a level that will not threaten to impair the national security.

The Trade Agreements Extension Act of 1958 continues the national security provision of the extension act of 1955, with certain changes and additions. The Director must make an investigation upon request of the head of any department or agency, upon application of any interested party, or upon his own motion. The second investigation by the President is eliminated, but the final decision as to the need for action is retained by the President. The scope of the provision is enlarged to include authority to restrict imports of derivatives of the articles which are the subject of a request for investigation, in addition to imports of the articles themselves. A new section added to the national security provision directs the Director of the Office of Defense and Civilian Mobilization[25] and the President, in the light of the requirements of national security and without excluding other relevant factors, to consider domestic production needed

[25] Now the Office of Civil and Defense Mobilization.

for projected national defense requirements, the capacity of domestic industries to meet such requirements, existing and anticipated availabilities of the human resources, products, raw materials, and other supplies and services essential to the national defense, the requirements of growth of such industries and such supplies and services (including the investment, exploration, and development necessary to assure such growth), and the importation of goods in terms of their quantities, availabilities, character, and use as those affect such industries and the capacity of the United States to meet national security requirements.

In their administration of the national security provision, the extension act of 1958 directs the Director of OCDM and the President to recognize the close relation of the economic welfare of the Nation to the national security, and to take into consideration the impact of foreign competition on the economic welfare of individual domestic industries. It also directs them to consider, without excluding other factors, any substantial unemployment, decrease in revenues of government, loss of skills or investment, or other serious effects resulting from the displacement of any domestic products by excessive imports, in determining whether such weakening of the internal economy may impair the national security.

Other provisions

Section 9 of the Trade Agreements Extension Act of 1958 grants the Tariff Commission broader subpena powers than those provided in earlier legislation. Under section 333 of the Tariff Act of 1930 such powers had been available to the Commission only in certain types of investigations; under the provisions of the new act they may be invoked "in connection with any investigation authorized by law."

Section 7 of the Trade Agreements Extension Act of 1958 establishes the rules that shall govern the Congress in considering concurrent resolutions to override Presidential rejections of Tariff Commission recommendations in escape-clause cases. The Trade Agreements Extension Act of 1958 makes such resolutions highly privileged, and establishes procedures designed to expedite their consideration by the Congress.

PROPOSED LEGISLATION CONCERNING UNITED STATES PARTICIPATION IN THE ORGANIZATION FOR TRADE COOPERATION

At their Ninth Session in 1954–55, the Contracting Parties to the General Agreement on Tariffs and Trade negotiated an Agreement on the Organization for Trade Cooperation. The principal function of the proposed organization was to be the administration of the General Agreement on Tariffs and Trade.[26] On March 21, 1955, the United States signed

[26] For a detailed discussion of the proposed Organization for Trade Cooperation, see *Operation of the Trade Agreements Program* (8th report), pp. 20–27.

the Agreement on the OTC—subject to approval by the United States Congress. In a special message to the Congress on April 14, 1955, the President recommended that the Congress enact legislation authorizing United States membership in the proposed OTC. In response to the President's recommendation, House bill 5550 was introduced in the House of Representatives on April 14, and was referred to the Committee on Ways and Means.[28] Although the committee reported favorably (with amendments) on the bill during the second session of the 84th Congress, the House of Representatives did not act on it.

On January 10, 1957, and on April 3, 1957, in messages to the Congress,[29] the President again recommended that the Congress enact legislation providing for United States membership in the proposed Organization for Trade Cooperation. In response to the recommendation of the President, House bill 6630 was introduced in the House of Representatives on April 4, 1957, and was referred to the Committee on Ways and Means.[30] By August 30, 1957, the end of the first session of the 85th Congress, the House Committee on Ways and Means had not reported on the bill. At the beginning of the second session of the 85th Congress, the President in his message to the Congress did not again recommend the enactment of legislation authorizing United States membership in OTC, nor was such a recommendation included in the administration's proposals for extending the President's authority to negotiate trade agreements (discussed earlier in this chapter). By June 30, 1958, the close of the period covered by this report, the Committee on Ways and Means had not reported on House bill 6630.

ESTABLISHMENT OF THE TRADE POLICY COMMITTEE

On November 25, 1957, by Executive Order 10741,[31] the President established a Cabinet-level Trade Policy Committee to assist him in administering the United States trade agreements program. In creating the new Committee, the President altered the status and functions of the Interdepartmental Committee on Trade Agreements and made certain changes in the existing interdepartmental trade agreements organization and procedures. When he issued the new Executive order, the President stated that the trade agreements program is one of the most important programs in the field of United States foreign economic policy and should, therefore, be under constant consideration by a Cabinet-level committee,

[28] For the legislative history of H.R. 5550 and a discussion of its provisions, see *Operation of the Trade Agreements Program* (9th report), pp. 7–8.

[29] H. Doc. 1 (85th Cong., 1st sess.), 1957; H. Doc. 146 (85th Cong., 1st sess.), 1957.

[30] For a discussion of the provisions of H.R. 6630, see *Operation of the Trade Agreements Program* (10th report), pp. 7–8.

[31] For text, see appendix G.

with increased responsibility vested in the Secretary of Commerce, who is charged with developing foreign and domestic commerce.[32]

Provisions of Executive Order 10741

Executive Order 10741 (sec. 1) provides that the Trade Policy Committee shall consist of the Secretaries of State, Treasury, Defense, Interior, Agriculture, Commerce, and Labor, or of alternates appointed by them, and designates the Secretary of Commerce or his alternate as chairman. Alternates appointed by the members of the Committee must be officials who are Presidential appointees.[33] The new Committee—like the Interdepartmental Committee on Trade Agreements—is authorized to invite other Government agencies to participate in its activities when matters of interest to them are under consideration. The Executive order specifies, however, that participation by other Government agencies in the activities of the Trade Policy Committee shall be limited to the heads of such agencies, or their alternates who must be Presidential appointees. Members of the Trade Agreements Committee, the functions of which in part are transferred to the Trade Policy Committee, are not required—except for the Tariff Commission member—to be Presidential appointees. Moreover, the chairman of the Trade Agreements Committee is the member or alternate from the Department of State, whereas the Trade Policy Committee has as its chairman the Secretary of Commerce or his alternate.

The Executive order provides (sec. 2) that the Trade Policy Committee shall make recommendations to the President on basic policy issues that arise in the administration of the trade agreements program. These recommendations, as approved by the President, shall guide the Trade Agreements Committee in carrying out its functions. The Executive order also provides (sec. 3) that each recommendation of the Trade Agreements Committee to the President, together with the dissent of any agency, shall be transmitted to him through the Trade Policy Committee. After reviewing the recommendations of the Trade Agreements Committee, the Trade Policy Committee shall submit to the President such advice about the recommendations as it may consider appropriate. Before the Trade Policy Committee was established, the interdepartmental committee charged with advising the President on trade agreements and related matters of commercial policy was the Trade Agree-

---

[32] White House press release, Nov. 25, 1957 (*Department of State Bulletin*, Dec. 16, 1957, p. 957).

[33] Appointed by the President, by and with the advice and consent of the Senate.

ments Committee.[34] The new Executive order does not change the membership of the Trade Agreements Committee, but alters its status and basic functions by providing (1) that the Trade Policy Committee shall make recommendations to the President on basic policy issues that arise out of the administration of the trade agreements program, and (2) that the Trade Policy Committee shall review the recommendations of the Trade Agreements Committee on matters relating to trade agreements before they are transmitted to the President.

Another provision of Executive Order 10741 (sec. 4) directs the Trade Policy Committee to review the escape-clause reports that the United States Tariff Commission submits to the President under the provisions of section 7 of the Trade Agreements Extension Act of 1951, as amended, and to recommend to the President what action, if any, he should take with respect to them. Heretofore, the President, after receiving the Tariff Commission's reports in escape-clause cases, asked the advice of individual departments and agencies of the executive branch of the Government before making his decisions.

Executive Order 10741 (sec. 5) also directs agencies of the Government, when so requested by the Trade Policy Committee, to furnish available information to the Committee for its use in carrying out the functions that the Executive order assigns to it.

Functions and Operating Procedures of the Trade Policy Committee

On January 10, 1958, the chairman of the Trade Policy Committee announced that the Committee had adopted a statement regarding its functions and operating procedures,[35] which the President had approved.

[34] Executive Order 10082 of Oct. 5, 1949, establishes (pt. I:1) the Interdepartmental Committee on Trade Agreements and designates it as the agency through which the President shall seek information and advice before concluding a trade agreement. The Executive order provides that the Committee shall consist of a Commissioner of the United States Tariff Commission, who shall be designated by the Chairman of the Commission, and of persons designated from their respective agencies by the Secretaries of State, Treasury, Defense, Agriculture, Commerce, and Labor, and the Administrator for Economic Cooperation (now Director, International Cooperation Administration). Executive Order 10082 also provides for the designation from the foregoing agencies of alternates to act in place of the members of the Trade Agreements Committee when the members are unable to act, and provides that a member or alternate from the Department of State shall be the chairman of the Committee. It assigns (pt. III:12) to the Committee certain specific duties and functions with respect to the operation and administration of the trade agreements program, and authorizes the Committee to consider such other questions of commercial policy as have a bearing on its activities with respect to trade agreements. (For text of Executive Order 10082, see appendix F to this report. Earlier Executive orders relating to the membership, duties, and functions of the Trade Agreements Committee were Nos. 9832 of Feb. 25, 1947 (12 F.R. 1363), and 1004 of Oct. 5, 1948 (13 F.R. 5851).)

[35] Memorandum for the President from the chairman of the Trade Policy Committee, Jan. 10, 1958 (U.S. Department of Commerce press release No. G–883, Jan. 13, 1958).

In carrying out the functions assigned to it by Executive Order 10741, the Committee will be concerned with recommendations to the President on the following matters, among others: (1) Tariff negotiations; (2) escape-clause cases; (3) miscellaneous tariff and trade-agreement matters; and (4) policy issues that may arise out of the administration of the trade agreements program. The Committee also adopted a set of operating procedures, and announced that its staff will include an executive secretary, who will be located in the Department of Commerce.

In its statement the Trade Policy Committee announced that it will be responsible for making recommendations to the President as to the initiation and conduct of tariff negotiations. The Committee will review the recommendations of the Trade Agreements Committee regarding the list of articles to be considered for possible concessions in tariff negotiations, and will transmit the list to the President with its comments. The final list of articles that the Trade Agreements Committee recommends for tariff negotiations, together with the proposed tariff concessions that the United States will offer and seek, will be transmitted to the President through the Trade Policy Committee. That Committee will recommend policies with respect to adherence to the Tariff Commission's peril-point determinations; and it will be consulted on the proposed composition and membership of United States delegations to the various sessions and meetings of the General Agreement on Tariffs and Trade.

When it becomes necessary for the United States to modify or withdraw tariff concessions, the Trade Policy Committee will review the recommendations of the Trade Agreements Committee for compensatory concessions to be granted by the United States. Likewise, when other countries modify or withdraw tariff concessions, the Trade Policy Committee will review the recommendations of the Trade Agreements Committee regarding the compensatory concessions that the United States should seek from those countries, as well as the adequacy of the compensation offered by the countries.

Recommendations that the Trade Agreements Committee makes to the President on trade-agreement negotiations or related matters will be transmitted to the members of the Trade Policy Committee with the request that they inform their chairman of any wishes and views regarding the interest that the Trade Policy Committee should take in such proposals. Should the Trade Policy Committee receive one or more protests or divergent views on a particular subject, the Committee will be convened to discuss the matter. After such discussion, the Committee will prepare a report to the President; the report will embody the Committee's specific recommendations on the matter, as well as the concurring and divergent views of the Committee members.

The Trade Policy Committee will review not only the original escape-clause findings and recommendations of the Tariff Commission, but also the Commission's periodic reviews of previous escape-clause actions. Hereafter, whenever the Tariff Commission submits an escape-clause report to the President, the executive secretary of the Trade Policy Committee will receive the report and will circulate copies of it to each member of the Committee. After discussing the Commission's report, the Committee will make a report to the President which will include a specific recommendation as to what action he should take.

With respect to its review of miscellaneous tariff and trade-agreement matters (e.g., the operation of the Geneva wool-fabric reservation, and the United States position with respect to voluntary export arrangements by foreign countries), the Committee announced that it will submit to the President its analysis of the issue involved, together with its recommendations.

From time to time, according to the Trade Policy Committee, the Committee will be presented with basic policy problems that arise in the operation of the trade agreements program. Proposals concerning these problems will be circulated to all members of the Committee; the Committee will then promptly hold meetings at the request of any of its members. Among other things, the Committee will review all policy-position papers and instructions prepared for the United States delegations to the annual sessions of the Contracting Parties to the General Agreement on Tariffs and Trade and the meetings of the Intersessional Committee. In its statement of operating procedures, the Committee also provided that the Committee will be convened—at the request of any member—to discuss any policy issue that may arise in the administration of the trade agreements program.

Chapter 2

Developments Relating to the Operation of the General Agreement on Tariffs and Trade

INTRODUCTION

The General Agreement on Tariffs and Trade (GATT), the most important and most comprehensive agreement that the United States has entered into under the provisions of the Trade Agreements Act, is a multilateral agreement in which the United States and 36 other countries now participate.[1] The General Agreement consists of two parts: (1) The so-called general provisions, which consist of numbered articles that set forth rules for the conduct of trade between contracting parties,[2] and (2) the schedules of tariff concessions that have resulted from the various multilateral negotiations sponsored by the Contracting Parties. On June 30, 1958, the following 37 countries were contracting parties to the General Agreement: Australia, Austria, Belgium, Brazil, Burma, Canada, Ceylon, Chile, Cuba, Czechoslovakia, Denmark, the Dominican Republic, Finland, France, the Federal Republic of Germany, Ghana, Greece, Haiti, India, Indonesia, Italy, Japan, Luxembourg, the Federation of Malaya, the Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Peru, the Federation of Rhodesia and Nyasaland, Sweden, Turkey, the Union of South Africa, the United Kingdom, the United States, and Uruguay.

At the close of the period covered by this report, the General Agreement embraced the original agreement concluded by the 23 countries that negotiated at Geneva in 1947; the Annecy Protocol of 1949, under which 10 additional countries acceded to the agreement; the Torquay Protocol of 1951, under which 4 other countries acceded; and the Protocol of Terms of Accession of Japan, under which that country acceded in 1955. Indonesia, on behalf of which the Netherlands negotiated concessions at Geneva in 1947, became an independent contracting party in 1950. Ghana and Malaya became contracting parties in 1957 after they

---

[1] For the earlier history of the General Agreement, see *Operation of the Trade Agreements Program*: 1st report, pt. II, ch. 3; 2d report, pp. 19–21; 3d report, pp. 31–32; and 5th report, pp. 23–26.

[2] The term "contracting parties," when used without initial capitals (contracting parties), refers to member countries acting individually; when used with initial capitals (Contracting Parties), it refers to the member countries acting as a group.

were sponsored by the United Kingdom under the provisions of article XXVI. At one time or another during the period commencing with the Geneva Conference in 1947 and ending with June 30, 1958, a total of 41 countries became contracting parties to the General Agreement. Four of these countries—the Republic of China, Lebanon, Liberia, and Syria—all of which acceded to the agreement as a result of negotiations at Geneva in 1947 or at Annecy in 1949, have since withdrawn from it.

Article XXV of the General Agreement provides that the Contracting Parties shall meet from time to time to further the objectives of the agreement and to resolve operational problems that may arise. Between the Geneva Conference in 1947 and June 30, 1958, the Contracting Parties met in 12 regular sessions. From the time that the ad hoc Committee for Agenda and Intersessional Business—now called the Intersessional Committee—was established in 1951, it has held one or more meetings each year.

The 12th Session of the Contracting Parties, which was held at Geneva from October 17 to November 30, 1957, was attended by representatives of all 37 contracting parties to the General Agreement. The following 17 countries that were not contracting parties to the agreement were represented by observers: Argentina, Costa Rica, Egypt, El Salvador, Iran, Iraq, Israel, Laos, Liberia, Libya, Mexico, Poland, Portugal, Rumania, Switzerland, Tunisia, and Yugoslavia. The United Nations, the International Labor Organization, the Food and Agriculture Organization, the International Monetary Fund, the Organization for European Economic Cooperation, the Council of Europe, the Interim Committee for the Common Market and Euratom, the European Coal and Steel Community, the Customs Cooperation Council, and the League of Arab States also were represented by observers.

On October 30, 1957, at their 12th Session, the Contracting Parties formally noted the 10th anniversary of the signing on October 30, 1947, of the Final Act of the Preparatory Committee of the United Nations Conference on Trade and Employment.[3] That act authenticated the text of the General Agreement on Tariffs and Trade, which resulted from negotiations by 23 countries at Geneva.[4]

The following discussion of the principal developments relating to the General Agreement during the period covered by this report is divided into four sections: (1) Items arising from the operation of the agreement; (2) tariffs and tariff negotiations; (3) other developments relating

[3] See *Operation of the Trade Agreements Program* (2d report), pp. 19–20. The General Agreement entered into force for the United States and 8 other countries on Jan. 1, 1948, and for the remaining 14 countries by Mar. 16, 1949.

[4] For summaries of the actions of the Contracting Parties with respect to complaints, waivers, releases, and consultations on import restrictions imposed for balance-of-payments reasons during this 10-year period, see introductory remarks in the appropriate sections of this chapter.

to the agreement; and (4) status and administration of the agreement. The first section—items arising from the operation of the agreement—considers deviations from the General Agreement by contracting parties either under specific provisions for such deviations or as breaches of the rules of the agreement. These deviations may be divided into the following four categories: (a) Deviations with respect to which interested contracting parties have complained to the Contracting Parties under the provisions of article XXIII;[5] (b) waivers of obligations that the Contracting Parties have granted under article XXV; (c) releases from obligations that the Contracting Parties have authorized under article XVIII; and (d) import restrictions that contracting parties impose for balance-of-payments reasons, under the provisions of articles XII and XIV.[6]

ITEMS ARISING FROM THE OPERATION OF THE GENERAL AGREEMENT

Complaints

Article XXIII of the General Agreement provides that if any contracting party considers that any benefit accruing to it under the agreement is being nullified or impaired by the action of another contracting party, it may bring the alleged impairment to the attention of the contracting party concerned. If this action does not result in an adjustment that is satisfactory to both contracting parties, the matter may be referred to the Contracting Parties for examination and appropriate recommendation. Matters brought before the Contracting Parties in this manner are known as complaints.

During the first 10 years of the operation of the General Agreement—that is, from October 30, 1947, to October 30, 1957—the Contracting Parties in plenary session considered 43 complaints under the provisions of article XXIII; of these, 8 remained unsettled at the end of the 10-year period. Other complaints were made by contracting parties during the 10-year period, but they were either settled by the interested contracting parties themselves or withdrawn before the Contracting Parties acted on them.

At their 12th Session in 1957 the Contracting Parties considered a total of 9 complaints; at its meeting in April 1958 the Intersessional

[5] Unless otherwise specified, the numbers of the articles of the agreement as used in this chapter are those of the unamended agreement. The third protocol of amendment, amending pts. II and III of the agreement, entered into force for two-thirds of the contracting parties on Oct. 7, 1957.

[6] For the texts of discussions, resolutions, and reports of the 12th Session, see Contracting Parties to the General Agreement on Tariffs and Trade, *Basic Instruments and Selected Documents*: 6th supp., *Decisions, Reports, etc., of the Twelfth Session*, and *Index*, Sales No.: GATT/1958–1, Geneva, 1958.

Committee considered 1 additional complaint. By June 30, 1958, the close of the period covered by this report, 4 of these 10 complaints had been settled. Three additional complaints that had been made at the 11th Session in 1956 were not discussed at the 12th Session and thus remained unsettled; these three complaints related to the French internal tax on automobiles, the West German turnover tax on imports of printed matter, and the United States subsidization of poultry exported to West Germany.[7]

Complaints settled by June 30, 1958

Brazilian internal taxes (*art. III*).—The complaint concerning Brazil's internal "consumption" taxes (impostos do consumo), which that country formerly applied to certain domestic and imported commodities, has been on the agenda of the Contracting Parties since 1949.[8] These consumption taxes, which were substantially higher on certain imported products than they were on like products of domestic origin, violated the provisions of article III of the General Agreement, which require that a contracting party refrain from imposing upon imports of another contracting party internal taxes or other charges in excess of similar charges levied on like products of domestic origin. Over the years, the Brazilian Government has made continued efforts to obtain approval by the Brazilian Congress of legislation that would eliminate the discriminatory aspects of its consumption taxes.

At the 12th Session of the Contracting Parties the Brazilian representative announced that Brazilian Law No. 3244 of August 14, 1957, which placed in effect the new Brazilian tariff, had abolished all discrimination in the excise taxes between imported and domestic products, thus eliminating the reason for the complaint.

French compensatory tax on imports (*art. II*).—At their Ninth Session in 1954–55 the Contracting Parties considered Italy's complaint concerning France's special temporary compensation tax on imports, and concluded that the tax violated the provisions of the General Agreement.[9] France accepted this conclusion and undertook to remove the special compensation tax as soon as possible.

Between January 1955 and the opening of the 10th Session of the Contracting Parties in October 1955, France eliminated the compensation tax on some items and reduced it on others. However, France also extended the scope of the tax by applying it to most of the products from which quantitative restrictions had been removed in September 1955 under the liberalization program of the Organization for European Economic Cooperation (OEEC). The few reductions that France made

[7] See *Operation of the Trade Agreements Program* (10th report), pp. 13, 15, and 17.
[8] See *Operation of the Trade Agreements Program*: 7th report, pp. 37–39; 8th report, p. 39.
[9] See *Operation of the Trade Agreements Program* (8th report), pp. 34–36.

during the interim between the 10th and 11th Sessions were offset somewhat by its imposition of the tax on the new items that it added to its OEEC Liberalization List in January and April 1956.

At their 11th Session the Contracting Parties again called for the reduction or elimination of the French tax and its discriminatory effects as promptly as possible. They agreed to review the matter of the tax again at their 12th Session, and requested France to report further developments to the Intersessional Committee.

In August 1957 France reported to the Intersessional Committee that progressive elimination of the tax would be impossible. According to France, such reductions would adversely affect its balance-of-payments position because of the relatively high domestic price level. Instead of taking the action suggested by the Contracting Parties, France—on August 11, 1957—abolished the special temporary compensation tax on imports and adopted three entirely new tax measures. The first of these measures levies a uniform tax of 20 percent on all imports paid for in foreign currency.[10] The second imposes a tax of 20 percent on all exports from the French franc area, whether visible or invisible. The third levies a tax of 20 percent on the purchase in France of foreign exchange for use in noncommercial transactions. The 20-percent rate established by these three measures was the rate considered necessary to restore the protective incidence of the French customs tariff, which had been reduced since 1955 by the increasing disparity between domestic and foreign prices. Certain imported commodities, the prices of which are employed in computing the official cost-of-living index, and, in turn, the level of wages, have been temporarily placed on an exempted list in an attempt to prevent further domestic price increases and a further deterioration of France's balance-of-payments position. Certain exports have been similarly exempted.

At their 12th Session the Contracting Parties adopted the Intersessional Committee's recommendation that they consider the complaint against France settled, since the compensation tax had been eliminated. They agreed that problems relating to the new tax measures would be considered during the balance-of-payments consultations with France at the 12th Session.

Greek increase of a bound duty (*art. XIX*).—On October 3, 1956, Greece increased the duty it had bound in the General Agreement on long-playing phonograph records. At the 11th Session in 1956 the Federal Republic of Germany complained about this increase in duty.[11] When Greece

[10] By an Order published on Oct. 27, 1957, this tax was levied on all imports, regardless of the currency employed in paying for them.

[11] West Germany also complained about Greece's increase in its import duty on refrigerators, but did not insist that the complaint on that item be discussed at the 11th Session. See *Operation of the Trade Agreements Program* (10th report), p. 16.

bound its duty on phonograph records at Annecy and Torquay, long-playing records (33⅓ and 45 revolutions per minute) were a new development and were not imported by Greece. The Greek concession on phonograph records did not mention record speed. In the opinion of the German delegation at the 11th Session, as well as that of a group of experts appointed by the Contracting Parties during the session, the general practice in classifying new or modified products is to apply the provisions of the tariff item that specify the products by name or, if no such item exists, to assimilate the new products into existing classifications in accordance with the principles established by national tariff legislation. The experts concluded that long-playing records should have been included under the bound item, and that if Greece had desired to modify its concession on phonograph records, it should have resorted to the procedures provided in articles XVIII, XIX, and XXVIII of the General Agreement. After discussion, the Contracting Parties decided to refer the matter to the Intersessional Committee.

The Intersessional Committee requested that an advisory opinion on this problem of customs classification be obtained from the Customs Cooperation Council in Brussels and suggested that further consideration of the complaint be deferred until the 12th Session of the Contracting Parties.

The opinion of the Customs Cooperation Council, received during the 12th Session, pointed out that it was not within the Council's jurisdiction to decide whether the item could be assimilated, inasmuch as the dispute involved the predominant question of whether the item is or is not already covered by an appropriate tariff heading (phonograph records). Because of this opinion and because of their inability to settle the legal and technical questions involved, the Greek and West German Governments decided at the 12th Session to hold further consultations. As a result of the consultations, Greece agreed to bind the rate for long-playing phonograph records at a rate 10 percent lower than that for the remainder of the phonograph-records classification, and to include this concession in the Greek schedule of the General Agreement. West Germany, in return, agreed to withdraw its complaint.

United Kingdom subsidization of exports of eggs, cattle, and potatoes (art. XVI).—At its April 1957 meeting the Intersessional Committee considered Denmark's complaint that because of the operation of the United Kingdom's guaranteed-price program for eggs, cattle, and potatoes, the United Kingdom during the first few months of 1957 had begun to export large quantities of those products to Denmark's traditional European markets. The Danish representative asked that the United Kingdom discuss with Denmark the possibility of limiting the exportation of subsidized eggs in accordance with the provisions of article XVI of the General Agreement. The Danish complaint was supported by the

Netherlands, Belgium, West Germany, and Sweden. After discussion, the Intersessional Committee recommended that the United Kingdom and Denmark continue their consultations and that, in determining its future policy with respect to subsidies on the products in question, the United Kingdom consider the view of the interested contracting parties.

At the meeting of the Intersessional Committee in September 1957, the Danish representative stated that the two countries had held further discussions and that his Government was satisfied with measures that the United Kingdom had adopted to prevent further exports of subsidized eggs. The representatives of Belgium and the Netherlands also expressed their satisfaction with the results of the discussions. The Intersessional Committee therefore agreed that the complaint had been settled.

Complaints not settled by June 30, 1958

French discrimination against imported agricultural machinery (art. III).—During their 12th Session the Contracting Parties considered the United Kingdom's complaint that France had violated the provisions of article III of the General Agreement which require that no less favorable treatment be given to products of foreign origin than to domestic products. A law of April 10, 1954, authorized the French Government to reimburse domestic purchasers of agricultural machinery for 15 percent of the cost of such machinery, up to a maximum of 150,000 francs. The complaint arose because a decree of August 5, 1957,[12] eliminates reimbursement for purchases of imported agricultural machinery. Sweden joined in the complaint, stating that such discrimination constituted a threat to exports of Swedish agricultural machinery.

At the 12th Session the Contracting Parties decided that the discussions which had been taking place between the interested contracting parties should be continued, and the results should be reported to them before the session ended. By the end of the 12th Session, France had not yet altered the legislation in question. The Contracting Parties therefore agreed that if the matter was not settled satisfactorily by the interested contracting parties it could be referred to the Intersessional Committee.

French stamp tax on imports (art. II).—The French stamp tax on imports, which is levied in addition to the regular import duties, was originally designed to defray the costs of clearing imported commodities through the customs. Article II of the General Agreement authorizes such taxes by providing that a contracting party shall not be prevented from imposing fees or other charges on imports commensurate with the cost of services it renders in connection therewith. At the Ninth Session of the Contracting Parties in 1954–55, the United States complained that France had increased its stamp tax beyond the allowable limits. The

[12] Elimination of the reimbursement on imported agricultural machinery was authorized by a law of June 26, 1957.

matter was temporarily resolved, however, when the French representative noted that France had not increased the tax—and did not intend to increase it—beyond the point necessary to meet the cost of services rendered, as authorized by the General Agreement.[13]

In August 1955, despite this expressed intention, France increased the tax from 2 percent to 3 percent, with the specific provision that the increase in the proceeds from it be applied to the budget for agricultural family allowances. The United States immediately complained to the Contracting Parties that France's action was inconsistent with its obligations under the General Agreement. When the matter came before the Contracting Parties at their 10th Session, the French representative agreed that the increase in the tax violated the agreement. But, he stated, France had decided on the increase under exceptional circumstances: it had been necessary to finance his country's program of agricultural family allowances, and there seemed to be no possibility of financing such allowances by normal methods. Also, he noted, the increase in the level of protection involved was small and did not seem to be of such a nature as to seriously damage the interests of the contracting parties or to alter the channels of trade. He assured the Contracting Parties, however, that his Government would adjust the tax as soon as possible.

At the 11th Session the French delegate informed the Contracting Parties that the draft of his country's Finance Act for 1957 provided for the reduction of the stamp tax from 3 percent to 2 percent. The Contracting Parties requested the French Government to inform them when the measure had been approved. As approved by the French National Assembly on December 29, 1956, however, the Finance Act continued the stamp tax at the rate of 3 percent.

At the 12th Session, when the United States complaint was again considered by the Contracting Parties, the French representative stated that, in the appropriation bill for 1958, his Government would again seek to have the tax rate reduced from 3 percent to 2 percent. The Contracting Parties noted this development and asked that they be informed when the proposed legislation became law.

French subsidization of exports of wheat and flour (*art. XVI*).—At its meeting in April 1958 the Intersessional Committee considered a complaint by Australia that France had been subsidizing exports of wheat and flour since 1953 and was thus obtaining more than an equitable share of the world trade in those products. Australia complained that the subsidy, which it maintained was contrary to the provisions of article XVI, had distorted the pattern of trade in wheat and flour, and that if France continued the subsidy Australia might be forced out of its traditional export markets for those commodities.

[13] See *Operation of the Trade Agreements Program* (8th report), pp. 34–36.

Since France had indicated during bilateral consultations with Australia that it did not intend to modify the subsidy, the Intersessional Committee referred the complaint to a panel. After hearing statements by both France and Australia, the panel adjourned so that the two contracting parties could consider the possibility of resuming their bilateral discussions.

Italian discrimination against imported agricultural machinery (*art. III*).—Early in their 12th Session the Contracting Parties examined a complaint by the United Kingdom concerning Italian discrimination against imported agricultural machinery. The United Kingdom was joined in the complaint by Denmark and Sweden. Under a law of July 25, 1952, Italy had established a revolving fund to enable Italian farmers to purchase domestic tractors and other agricultural machinery. Since July 1, 1957, Italy has granted new loans for that purpose only at the rate permitted by the repayment of earlier loans. No funds are made available for the purchase of imported agricultural machinery. The representative of the United Kingdom stated that, besides the discrimination involved, the restriction impaired the value of the concession on wheeled tractors that Italy had granted to the United Kingdom in 1956, but which had not yet become effective. The Contracting Parties agreed that discussion between the interested contracting parties should continue and that, if necessary, the matter would be examined again by the Contracting Parties later in the session.

By the end of the 12th Session the problem had not been resolved. The Contracting Parties therefore agreed that if it were not settled before the next meeting of the Intersessional Committee, it would be examined by that Committee. At the meeting of the Intersessional Committee in April 1958 the United Kingdom representative reported that his country and Italy had not reached agreement on the matter, and he requested that it be examined by a panel. This procedure was agreeable to the Italian representative. The Committee therefore referred the complaint to a panel for examination.

United States restrictions on imports of dairy products (*art. XI*).—In 1951, at the Sixth Session of the Contracting Parties, Denmark and the Netherlands, supported by Australia, Canada, France, Italy, New Zealand, and Norway, complained that United States restrictions on imports of certain dairy products violated the provisions of article XI, which require the general elimination of quantitative restrictions on imports. These countries maintained that the restrictions in question impaired concessions that the United States had made under the General Agreement. They therefore contended that the complaining parties were entitled—in retaliation—to request suspension of certain of their obligations to the United States, as provided for in article XXIII. At their Seventh Session in 1952 the Contracting Parties authorized the Netherlands—in retaliation—to limit imports of wheat flour from the United States to 60,000 metric tons a year. At the Eighth Session in 1953 the Contracting Parties requested the United States to report annually on the import restrictions in question.[14]

During 1957 the United States continued to restrict the importation of certain dairy products. At their 12th Session in 1957, therefore, the Contracting Parties authorized the Netherlands—as they have each year since 1952—to limit imports of wheat flour from the United States to 60,000 metric tons during the next calendar year.[15]

United States increase in rate of duty on spring clothespins (art. XIX).—At the 12th Session of the Contracting Parties, Denmark and Sweden complained that on November 9, 1957, the United States withdrew the concession that it had granted on spring clothespins in the General Agreement, and increased the duty on them from 10 cents to 20 cents per gross. This action by the United States was taken, after an escape-clause investigation by the United States Tariff Commission, under article XIX of the General Agreement, which provides that a tariff concession on a product may be suspended, withdrawn, or modified when, as a result of the concession, the product is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to the domestic producers of like or directly competitive products. Article XIX also provides for consultations with those contracting parties that have a substantial interest in exporting the product concerned.

The Danish and Swedish representatives stated that their Governments had consulted with the United States on spring clothespins but had been unable to arrive at a satisfactory solution to the problem. These representatives, together with those of the United Kingdom and Belgium, contended that United States recourse to the provisions of article XIX was not justified. They stated that increased United States imports of spring clothespins, whether or not such imports were causing or threatening injury to the domestic industry, could not be considered a result of the concession that the United States had granted in 1950 under the General Agreement, because the duty had been bound at the same rate since January 1943.[16] They further contended that the United

[14] See *Operation of the Trade Agreements Program*: 5th report, pp. 32–33; 6th report, pp. 43–45; 7th report, pp. 59–61; 8th report, pp. 59–62; 9th report, pp. 16–17; and 10th report, pp. 32–33.

[15] The United States report on its restrictions on imports of dairy products at the 12th Session was incorporated in the more comprehensive report that the United States submitted to the Contracting Parties under the terms of the sec. 22 waiver that the latter granted to the United States in 1955. That report is discussed in the section of this chapter that relates to waivers.

[16] The United States reduced the rate of duty on spring clothespins to 10 cents per gross and bound it at that rate pursuant to the 1943 bilateral trade agreement with Mexico.

States action was not justified under article XIX, since the increase in imports could not be considered as unforeseen.[17]

The representatives of Sweden, Denmark, and Belgium proposed that the question be referred to the Intersessional Committee, which could appoint a panel to examine the issues involved. The United States representative stated that his Government was prepared to continue the bilateral discussions on spring clothespins and that his delegation had no objection to the appointment of a panel to examine the issue. The Contracting Parties therefore agreed to follow the proposed procedure.

At the meeting of the Intersessional Committee in April 1958, the Danish and Swedish representatives reported that their discussions with the United States had produced no positive results. Since the consultations were to continue, however, they did not wish the Committee to consider their complaint at that time. Both Denmark and Sweden reserved their right, subject to the outcome of the consultations, to refer the matter to the Contracting Parties at the 13th Session. The Intersessional Committee noted the Danish and Swedish reservation and therefore agreed to postpone consideration of the complaint.

Waivers of Obligations

Article XXV of the General Agreement provides that, in exceptional circumstances, the Contracting Parties may waive an obligation imposed on a contracting party by the General Agreement. Any such waiver, however, must be approved by a two-thirds majority of the votes cast, and such majority must comprise more than half the contracting parties. The existence of this exception to the general rule of decision, which provides for a majority vote of the representatives present and voting, emphasizes the importance that the Contracting Parties attach to the waiving of an obligation imposed on a contracting party by the agreement.

During the first 10 years of the operation of the General Agreement—that is, from October 30, 1947, to October 30, 1957—the Contracting Parties granted 20 waivers to individual contracting parties. These waivers consisted principally of those providing for special exchange agreements under the provisions of article XV, and for the establishment of customs unions and free-trade areas under the provisions of article XXIV.

At their 12th Session the Contracting Parties granted France and the Federal Republic of Germany a waiver of certain of their obligations under the General Agreement so that they might implement the Franco-German treaty on the Saar; this waiver is discussed below. Also discussed are 12 reports, submitted at the 12th Session, that relate to the

[17] Art. XIX of the General Agreement requires the increase in imports to be unforeseen. Sec. 7 of the United States Trade Agreements Extension Act of 1951, as amended, however, includes no such requirement.

operation of waivers that the Contracting Parties had granted at earlier sessions. The proposed discussion of 1 other existing waiver—that for the Central American free-trade area, which was granted at the 11th Session—was deleted from the agenda of the 12th Session because the treaty establishing the free-trade area had not yet entered into force.

Franco-German treaty on the Saar (art. I)

On October 27, 1956, representatives of France and the Federal Republic of Germany signed a treaty applying to the Saar the basic law of the Federal Republic, and providing for special treatment of the trade between the Saar and France and between the Saar and the Federal Republic. The treaty entered into force on January 1, 1957. Since some of the provisions of the treaty are contrary to those of article I of the General Agreement, France and the Federal Republic of Germany on May 24, 1957, requested that, as provided in article XXV:5(a) of the General Agreement, the Contracting Parties waive the obligations of the two countries under the provisions of article I insofar as is necessary for them to implement the provisions of the treaty.[18]

The Saar treaty provides for a transitional period that will end not later than December 31, 1959. During this period the monetary and customs union that existed between France and the Saar before 1957 will continue in effect. The treaty also provides, during the transitional period, for special treatment by West Germany of products originating in the Saar, and for the duty-free importation into the Saar of capital equipment originating in the Federal Republic. A waiver by the Contracting Parties of the provisions of article I is necessary because these provisions involve discrimination against imports from third countries. Waiver of the provisions of article I is also necessary for administration of the Saar's definitive economic system, since the treaty provides—after the transitional period—for duty-free importation into the Saar of products originating in the franc area, and duty-free entry into France of products originating in the Saar. The quantity of trade is to be limited in both directions by quotas based on the trade between France and the Saar in 1955.

After examining the matter at their 12th Session, the Contracting Parties granted France and the Federal Republic of Germany a waiver of their obligations under article I of the General Agreement. The waiver provided that France and West Germany submit an annual report on their actions under the terms of the waiver and that they consult with the Contracting Parties when requested to do so.

---

[18] Art. XXV:5(a) provides for waivers of obligations under "exceptional circumstances" not elsewhere provided for in the General Agreement.

Australian special customs treatment of products from Papua and New Guinea (fourth annual report) (art. I)

At their Eighth Session in 1953 the Contracting Parties granted Australia a waiver of its most-favored-nation obligations under article I of the General Agreement, to permit Australia to assist in the economic development of the territories of Papua and New Guinea.[19] The waiver permitted Australia to accord duty-free treatment to primary products imported from the specified territories without regard to the rates of duty on like products imported from any other contracting party, as long as the primary products were not subject to Australian tariff concessions under the General Agreement.

At the 10th Session of the Contracting Parties Australia requested and was granted a supplementary waiver which permitted it to accord duty-free treatment to imports of certain forest products from Papua and New Guinea, whether or not these products were subject to Australian tariff concessions under the General Agreement. At the 11th Session Australia requested that the word "primary" be deleted from the original waiver. On the recommendation of a working party, the Contracting Parties agreed, instead, to include under the waiver—together with primary products—those products of the territories that are not specified in Australia's schedule of the General Agreement, but which are substantially derived from primary products.

The fourth annual report on the waiver, submitted by Australia early in the 12th Session, stated that no new measures had been taken under the waiver during the preceding year. Before the close of the 12th Session, however, Australia notified the Contracting Parties that it intended, under the terms of the original waiver, to grant duty-free treatment to imports of passion-fruit juice produced in the territories of Papua and New Guinea and to increase the rate of duty on passion-fruit juice imported from other countries. Australia also announced that as a result of this action it was prepared to consult, as required by the terms of the waiver, with any contracting party that considered these tariff changes a threat of substantial injury to its trade with Australia.

Between the 12th Session and June 30, 1958, Australia also notified the Contracting Parties that, under the provisions of the waiver, it intended to impose duties on imports of unshelled peanuts and peanut kernels, and to continue to grant duty-free treatment to imports of these products from Papua and New Guinea. Australia stated that it was prepared to consult with interested contracting parties on this proposed action.

[19] See *Operation of the Trade Agreements Program* (7th report), pp. 32–34.

Belgian quantitative restrictions on imports (second annual report) (art. XI)

On May 16, 1955, Belgium requested that, for a period of 7 years, the Contracting Parties waive its commitments under article XI of the General Agreement to permit the retention of a number of quantitative restrictions that it had imposed on agricultural products when it was free to resort to such restrictions for balance-of-payments reasons. Article XI requires the general elimination of quantitative restrictions on imports from or exports to other contracting parties. Belgium's request for the waiver pointed out that, because of conditions prevailing in Belgium's agricultural system—primarily the high cost of agricultural production—removal of the restrictions would subject Belgian agriculture to damaging competition from the Netherlands.

Rather than grant Belgium a waiver for a 7-year period under the provisions of article XXV, the Contracting Parties did so for a 5-year period under the terms of the so-called hard-core decision of 1955.[20] Because of the exceptional circumstances surrounding the harmonization of the agricultural policies of the Benelux countries, the Contracting Parties—pursuant to the provisions of article XXV—extended until December 31, 1962, their concurrence with respect to those restrictions that Belgium might not be able to eliminate under the terms of the hard-core decision.

In the first annual report on its quantitative import restrictions, submitted to the Contracting Parties at their 11th Session, Belgium pointed out that it had completely eliminated the quotas on several products and had increased those on a few more. In addition, it had shortened the seasonal periods during which it prohibited imports of certain fruits and vegetables. However, it was unable at that time to present a specific program looking toward harmonization.

During the discussion of the Belgian report at the 11th Session, the contracting parties in general expressed disappointment that Belgium had not made more substantial progress in eliminating its quantitative restrictions on imports. They felt that Belgium's next annual report should contain the kind of information that would enable the Contracting Parties to form an opinion at the 12th Session of Belgium's proposed tariff actions relating to the harmonization program. The Contracting Parties therefore requested that, in future annual reports, Belgium include information on (1) the reasons why it maintains restrictions,

[20] See *Operation of the Trade Agreements Program* (8th report), p. 47. This decision recognizes that for some countries persistent balance-of-payments difficulties make quantitative restrictions necessary over a period of years, and that the sudden elimination of such restrictions would make adjustments difficult. The decision, therefore, provides for a temporary waiver of the obligation to eliminate quantitative restrictions where their immediate removal would result in serious injury to a domestic industry or a branch of agriculture. The decision provides, however, that no such waiver shall be granted for a period of more than 5 years.

(2) its commitments under bilateral agreements with respect to imports of the products covered by the waiver, and (3) import quotas and relevant administrative regulations. In discussing the third requirement, the Contracting Parties emphasized the need for all contracting parties to provide importers with advance information on new quotas and relevant administrative regulations before placing them in effect.

In the second annual report on its quantitative import restrictions, submitted at the 12th Session, Belgium listed the products on which it had eliminated import restrictions, those on which it had relaxed restrictions, and those on which it had imposed restrictions only during certain seasons of the year. In addition, Belgium stated that working parties of its ad hoc Committee on the Harmonization of Agricultural Policies had met and had prepared reports on various problems relating to harmonization of agricultural policies, for submission to the ministerial commission of the Benelux Union. It also stated that although Belgian agricultural prices had remained fairly stable during 1956, costs of production had increased, thus necessitating continued restriction of agricultural imports in order to maintain farm output.

Belgium's second annual report was referred to the working party on agricultural waivers at the 12th Session of the Contracting Parties. In its report the working party expressed regret that Belgium had made so little progress in eliminating its import restrictions. The working party also emphasized the fact that progressive elimination of these restrictions was an essential requirement of the hard-core waiver and that an annual report under such a waiver should clearly indicate the proposed program for eliminating the restrictions. The working party concluded that it could not evaluate the results of Belgium's actions until such a detailed program was submitted. The working party therefore recommended that the Contracting Parties request Belgium to present in future annual reports clear evidence of substantial progress toward fulfilling the intent of the waiver, and to include more detailed information in these reports. The Contracting Parties adopted the working party's report and recommendations.

Revision of the Brazilian tariff (art. II)

At their 10th Session in 1955, Brazil informed the Contracting Parties that it intended to submit a draft of a new customs tariff to the Brazilian Congress; the draft tariff was submitted to the Congress in 1956. According to Brazil its old tariff did not provide sufficient revenue or protection, and the nomenclature was obsolete and confusing. For these and other reasons, Brazil had been forced to impose quantitative restrictions on imports and to adopt exchange controls.

At the 11th Session Brazil requested the Contracting Parties to grant it a waiver from the provisions of paragraph 1 of article II of the General

Agreement, so that it might place its new tariff in effect. Under the terms of the waiver granted it at the 11th Session, Brazil was relieved of the obligation to renegotiate existing tariff concessions before it made effective the somewhat higher rates of its new tariff. However, Brazil was directed to conduct such renegotiations within 1 year from the time its new tariff entered into force. The Contracting Parties also established a tariff negotiations committee to arrange for the renegotiations and to consider questions of general concern relating to them.

Shortly before the 12th Session, Brazil reported to the Intersessional Committee that its new tariff law had been approved and had entered into force on August 14, 1957, and that, in accordance with the terms of the waiver, Brazil was prepared to enter into negotiations about November 15, 1957. The Brazilian Tariff Negotiations Committee of the Contracting Parties decided to hold preliminary discussions with the Brazilian delegation beginning November 18, 1957, to clarify any matters relating to the negotiations. The actual tariff negotiations were to begin on January 6, 1958. Since changes in the Brazilian tariff concessions resulting from the negotiations might not become effective before August 14, 1958, as provided in the waiver, and since the Contracting Parties probably would not be in session at that time, the Tariff Negotiations Committee recommended that the Contracting Parties authorize the Intersessional Committee to extend the deadline if so requested. Such a possibility was provided for in the original waiver. At their 12th Session the Contracting Parties accordingly granted this authority to the Intersessional Committee.

Czechoslovak and New Zealand exchange-agreement obligations (third annual report) (art. XV)

Article XV is one of the articles of the General Agreement that deals with the problem of quantitative restrictions imposed by contracting parties for balance-of-payments reasons.[21] The article attempts to insure uniformity in exchange practices by obligating contracting parties either to join the International Monetary Fund or to enter into a special exchange agreement with the Contracting Parties. At the Ninth Session in 1954–55, Czechoslovakia and New Zealand—neither of which is a member of the International Monetary Fund—asked the Contracting Parties to waive their obligations under the exchange-agreement provisions of article XV. The Contracting Parties granted their requests, subject to certain conditions; one of these conditions was that the two countries consult annually with the Contracting Parties on the operation of the waivers.

At the 12th Session of the Contracting Parties, both Czechoslovakia

[21] For a discussion of the provisions of art. XV, see *Operation of the Trade Agreements Program* (8th report), p. 51.

and New Zealand reported that since the 11th Session there had been no changes in their foreign-exchange activities that were pertinent to their waivers. After considering these reports, the working party on balance-of-payments problems recommended that the Contracting Parties dispense with the requirement for annual consultations with, and reports by, Czechoslovakia and New Zealand. They recommended instead that the two countries be required to consult with the Contracting Parties and submit reports to them promptly after taking any action that has a significant effect on the application of the provisions of the General Agreement, or that is inconsistent with the principles of the International Monetary Fund. The Contracting Parties approved the recommendation of the working party.

European Coal and Steel Community (fifth and sixth annual reports) (arts. I and XIII)

On April 18, 1951, six contracting parties to the General Agreement—Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands—concluded a treaty constituting the European Coal and Steel Community (ECSC), as well as a convention providing for certain transitional arrangements connected with its establishment.[22] The six participating countries then requested the Contracting Parties to waive their most-favored-nation commitments under article I of the General Agreement and their commitments regarding the nondiscriminatory application of quantitative import restrictions under article XIII. At their Seventh Session in 1952 the Contracting Parties granted such a waiver.[23] In effect, the waiver permitted the member countries to form a limited customs union for the purpose of establishing a common market within the Community for coal, iron ore, scrap iron, and steel products. The waiver also required the Community to make an annual report to the Contracting Parties on its progress in implementing the treaty.

At the 12th Session, the European Coal and Steel Community submitted its fifth annual report to the Contracting Parties on the measures taken by the members of the Community toward the full implementation of the treaty establishing the Community. The report, which covered the period September 1, 1956–September 1, 1957, stated that the Community would have harmonized the customs duties of its members for coal and steel products, as applied to third countries, at the end of its transitional period on February 10, 1958. As in previous years, the Com-

[22] For text of the treaty and the convention, see European Coal and Steel Community, *Treaty Constituting the European Coal and Steel Community and Convention Containing the Transitional Provisions*, 1951.

[23] For text of the waiver and of the report of the working party that considered the problem, see Contracting Parties to GATT, *Basic Instruments . . .*, 1st supp., Sales No.: GATT/-1953-1, Geneva, 1953, pp. 17–22 and 85–93.

munity also provided the Contracting Parties with supplemental information on its production and trade and on prices of coal and steel.

As a result of comments and questions by contracting parties, the Contracting Parties referred the report to a working party for further examination. The majority of the working party concluded that the member states and the High Authority of ECSC had taken the necessary steps to complete the establishment of the Community on February 10, 1958, as contemplated by the Contracting Parties when they granted the waiver. However, some of the members of the working party stated that the harmonization of the customs tariffs of the countries comprising the Community did not conform to their understanding of "harmonization" at the time the waiver was granted. The working party therefore suggested that this problem be discussed in the Community's sixth and last report under the waiver, which would cover the period from September 1, 1957, to February 10, 1958. The working party recommended to the Contracting Parties that, because of the importance to certain third countries of the harmonization of the tariffs of the member states, this report be submitted to the Intersessional Committee before the end of March 1958. The working party also recommended that the Secretariat of the Contracting Parties (1) compare the rates of duty on coal and steel applicable in 1952 with those that are to apply after harmonization,[24] and (2) confirm whether the increase in the level of bound duties was authorized under the treaty only for the purpose of permitting members of the Community to harmonize their duties. The Contracting Parties adopted the fifth report and the recommendations of the working party at their 12th Session.

The European Coal and Steel Community submitted the sixth and final report on its waiver to the Intersessional Committee at its April 1958 meeting. The Committee discussed the comments on the harmonization of the Community's external tariffs in the report, and the supplemental data on the Community's production, trade, and prices. At the conclusion of the discussion the Contracting Parties congratulated the six member countries on their attainment of a common market in coal and steel.

Italy's preferential customs treatment of Libyan products (fifth annual report) (art. I)

At their Sixth Session in 1951 the Contracting Parties granted Italy a waiver of its most-favored-nation obligations under article I of the General Agreement. The waiver, which permitted Italy to accord duty-free entry to a specified list of products of which Libya is Italy's principal foreign supplier, was intended to facilitate the development of Libya's

[24] This comparison that the Secretariat was asked to prepare had not been submitted to the Contracting Parties by June 30, 1958.

economy during that country's transition to an independent status. At their Seventh Session in 1952 the Contracting Parties requested Italy to submit an annual report on the development of Italian-Libyan trade, and requested Libya to submit an annual report on Libyan economic development.[25] Also, the waiver, originally granted for a period of 1 year, was extended at that session; at the 10th Session in 1955 it was further extended to December 31, 1958.

The reports of Italy and Libya, submitted to the Contracting Parties at their 12th Session, indicated increased Italian imports of Libyan products since 1954, and a substantial development of the Libyan economy. However, the reports noted a decline in Libya's total exports during 1956 resulting from the effect of adverse climatic conditions on Libyan agriculture, especially on the olive crop. The Libyan representative stated that the outlook for 1957–58 was better, particularly because of the expected large surplus of olive oil that probably would be available for export. The Contracting Parties noted the reports and agreed to review the situation again at their 13th Session.

Luxembourg's quantitative restrictions on imports (second annual report) (art. XI)

On May 17, 1955, Luxembourg requested the Contracting Parties to grant it a waiver of its obligations under article XI of the General Agreement (requiring the general elimination of quantitative restrictions on imports) to permit it to maintain certain restrictions on imports of agricultural products. Luxembourg's economic structure, the request pointed out, is based primarily on the steel industry and agriculture, and agriculture is therefore a vital branch of the national economy. However, Luxembourg's agriculture is in a precarious position and can be maintained in a satisfactory position only with the support of the state. Consequently, Luxembourg desired permission to maintain quantitative restrictions on imports of certain agricultural products of which Belgium and the Netherlands are the principal suppliers. At a meeting of an intersessional working party, the representative of Luxembourg made it clear that his country's need for agricultural protection was structural in nature, and could not be regarded as transitional or temporary. For this reason Luxembourg requested the waiver pursuant to article XXV, rather than under the hard-core decision of March 5, 1955.[26]

At their 10th Session the Contracting Parties granted Luxembourg a waiver permitting it to continue its existing restrictions, with the understanding that Luxembourg would actively pursue the harmonizing of its

[25] See *Operation of the Trade Agreements Program*: 7th report, pp. 31–32; 8th report, pp. 33–34.

[26] For a discussion of the relationship between Luxembourg's request for a waiver and the trade restrictions of Belgium and the Benelux Union, see *Operation of the Trade Agreements Program* (10th report), pp. 28–29.

agricultural policy with the policies of Belgium and the Netherlands, would adopt all measures necessary to make its agriculture more competitive, and would, as far as practicable, relax restrictions then in force. The waiver has no time limit.

At the 12th Session Luxembourg reported, as it had in its first annual report at the 11th Session, that its agricultural position, and therefore its need for the waiver, had not changed substantially. However, Luxembourg pointed out that its commitment to progressively liberalize its trade in agricultural products is carefully defined in the treaty establishing the European Economic Community. According to Luxembourg, the obligations assumed by it in the treaty will require it to improve the competitive ability of its agriculture. The Contracting Parties did not review the report at a plenary session.

Nicaragua-El Salvador free-trade area (sixth annual report) (arts. I and XIII)

At their Sixth Session in 1951 the Contracting Parties approved a waiver relating to the Nicaragua-El Salvador free-trade area. The waiver freed Nicaragua from its most-favored-nation obligations respecting the products covered in its treaty with El Salvador, which became effective August 21, 1951. Under the terms of the treaty, each country agreed to accord reciprocal duty-free treatment to specified products originating in the other country.

In its annual report to the Contracting Parties at their 12th Session,[27] Nicaragua noted that—as in previous years—both Nicaragua and El Salvador were satisfied with the operation of the free-trade treaty. The report noted that trade between the two countries had been declining as a result of the controls Nicaragua had imposed on the exportation of grain during 1955 and the restriction El Salvador had imposed on imports of grain during 1956. The Chairman of the Contracting Parties commented that on the basis of the report Nicaragua and El Salvador appeared to have met the provisions of paragraph 8(b) of article XXIV of the General Agreement, since the restrictive regulations on trade between the two countries in products originating in their territories had been substantially eliminated. It therefore appeared that the free-trade area was being maintained successfully.

United Kingdom obligations with respect to products entered free of duty from Commonwealth countries (fourth annual report) (art. I)

At their Eighth Session in 1953 the Contracting Parties granted the United Kingdom a waiver of its obligations under the provisions of article I of the General Agreement, which prohibit increases in margins of

[27] Inasmuch as El Salvador is not a contracting party to the General Agreement, only Nicaragua is obliged to report to the Contracting Parties on developments under the waiver. For the origin of the waiver, see *Operation of the Trade Agreements Program* (6th report), p. 50.

preference. The waiver permitted the United Kingdom to alter margins of preference accorded to Commonwealth countries by increasing rates of duty on imports of unbound items from non-Commonwealth countries without imposing comparable duties on those items when imported from Commonwealth countries. The waiver applied only to items on which no concessions were in effect under the General Agreement at the time it was granted.

At the Ninth Session of the Contracting Parties in 1954–55, the United Kingdom requested, and was granted, an amendment to the waiver permitting the United Kingdom to increase margins of preference on items on which concessions were in effect under the General Agreement at the time the waiver was approved, but which had subsequently been removed or modified in a manner consistent with the agreement. In requesting an amendment to the waiver, the United Kingdom stated—as it had in requesting the original waiver—that it desired to accord itself greater protection only in a limited number of instances where the need for tariff protection had been demonstrated, and that it did not intend to use the waiver to divert trade to the Commonwealth.[28]

In submitting its fourth annual report under the margin-of-preference waiver at the 12th Session of the Contracting Parties, the United Kingdom stated that it had not invoked the waiver since submitting its third report at the 11th Session.

Special problems of the dependent overseas territories of the United Kingdom (third annual report) (art. I)

During the Ninth Session in 1954–55, the United Kingdom submitted to the Contracting Parties a proposed amendment to the General Agreement that would broaden the scope of action by a contracting party in assisting the economic development of its dependent territories. The United Kingdom desired such an amendment because it believed its social and political responsibilities to dependent territories could not otherwise be fulfilled under the provisions of the General Agreement. Because of the broad scope of the amendment, however, and because its adoption would be tantamount to recognizing as permanent a problem they regarded as transitional, the Contracting Parties did not favor the proposed amendment. They decided, instead, to waive certain of the United Kingdom's obligations under the agreement, in order to permit the United Kingdom to accord its dependent overseas territories treatment commensurate with its responsibilities as it recognized them.[29]

---

[28] See *Operation of the Trade Agreements Program*: 7th report, pp. 27–30; 8th report, pp. 30–32.

[29] For a more detailed discussion of the United Kingdom's dependent overseas territories waiver, see *Operation of the Trade Agreements Program* (8th report), pp. 76–78. For text of the waiver, see Contracting Parties to GATT, *Basic Instruments . . .*, 3d supp., *Decisions, Resolutions, Reports, etc., of the Ninth Session,* Sales No. : GATT/1955–2, Geneva, 1955. pp. 21–25.

In submitting its third annual report under the dependent overseas territories waiver at the 12th Session of the Contracting Parties, the United Kingdom stated that it had taken no action under the terms of the waiver since submitting its second report at the 11th Session.

United States restrictions on imports of agricultural products (third annual report) (arts. II and XI)

Article XI of the General Agreement prohibits a contracting party from imposing nontariff restrictions on its imports from other contracting parties. Article II prohibits imposition of an import fee in excess of the rate of duty set forth in the appropriate schedule of concessions. These articles have been particularly significant to the United States, since it maintains governmental programs with respect to several agricultural products and, in order to carry out these programs, has on several occasions found it necessary to restrict imports of such products. Use by the United States of the agricultural exception has been of considerable concern to those countries that export agricultural products thereto and that have granted the United States tariff concessions in return for concessions that the United States has granted them on agricultural products.

United States programs for agricultural products have had various objectives. Some of them have been designed to control production; some, to assist in the orderly marketing of agricultural commodities for domestic consumption and for export; some, to provide for the disposal of surplus commodities; and some, to establish quality and grading standards. The principal objective of such programs, however, has been to stabilize prices at levels that would provide a fair return to producers, consistent with the interests of consumers.

To the extent that these programs have had the effect of maintaining domestic price levels for agricultural products above the duty-paid, laid-down prices of comparable imports, they have tended to stimulate a greater quantity of imports than would have prevailed had there been no domestic programs. Such artificially stimulated imports tend to increase the cost of relevant programs and to interfere with the realization of their objectives. To provide for contingencies of this kind, section 22 of the United States Agricultural Adjustment Act, as amended, authorizes the President to restrict the importation of commodities by imposing either fees or quotas (within specified limits) if such importation tends to render ineffective or materially interfere with the agricultural commodity programs of the United States Department of Agriculture. Section 22, as amended by the Trade Agreements Extension Act of 1951, specifically provides that no trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of section 22.

To resolve the differences between its domestic legislation and the provisions of the General Agreement, the United States—at the Ninth Session of the Contracting Parties in 1954–55—requested a waiver of its commitments under articles II and XI of the General Agreement, insofar as such commitments might be regarded as inconsistent with action it is required to take under section 22.[30] Besides establishing certain rules of procedure and certain conditions as to consultation, the waiver, which the Contracting Parties granted to the United States at the Ninth Session, requires it to report annually on its actions under the waiver.

At the 12th Session of the Contracting Parties, held during October and November 1957, the United States submitted its third annual report under the waiver. The report, which covered the period between the 11th and 12th Sessions, presented an explanation of United States action with respect to each of the commodities that were under restrictive import controls during that time. The report noted that during the period reported, import controls under section 22 were in effect for only 6 of the 9 groups of products originally covered by the waiver, the same number of groups as in the preceding year. Within the dairy-products group, however, two modifications had been made to prevent imports of new types of commodities with high butterfat content from rendering ineffective the milk and butterfat program. These modifications were the placing of butter substitutes, including butter oil, within the dairy-products quotas; and the placing of an embargo on imports of articles containing 45 percent or more of butterfat.

The report also described the positive steps that the United States had taken toward reducing surpluses of certain agricultural commodities. These actions included decreases in price-support levels; reduction, by means of mandatory controls and by the soil-bank program, of the acreage to be planted; and administration of programs to expand domestic and foreign consumption. After preparation of the third annual report, but before the opening of the 12th Session, the United States notified the Contracting Parties that it had imposed an import quota on tung oil.

After discussing the United States report, the Contracting Parties referred it to the working party on agricultural waivers for further examination. The Contracting Parties subsequently adopted the report of the working party and approved its recommendation that the Netherlands be permitted to continue to limit to 60,000 metric tons its imports of wheat flour from the United States during 1958.[31]

Between the 12th Session and June 30, 1958, the United States notified the Contracting Parties that it had removed its quota on imports of harsh

[30] See *Operation of the Trade Agreements Program* (8th report), pp. 43–47.

[31] See the discussion in this chapter on the Netherlands complaint with respect to United States restrictions on imports of dairy products.

or rough cotton having a staple length of less than three-fourths of 1 inch and had placed imports of tung nuts (on the basis of their oil content) under the existing quota for imports of tung oil.

Releases From Obligations Considered at the 12th Session

Article XVIII of the General Agreement permits contracting parties to employ nontariff protective measures for purposes of economic development or reconstruction, provided the proposed measures meet the criteria established for them under the agreement.[32] The article specifies, among other things, that the measures must be nondiscriminatory and must (1) be intended to promote an industry that processes an indigenous primary commodity, external sales of which have been reduced by increased foreign production, or (2) be necessary to develop resources that would otherwise be wasted and that, if conserved, would in the long run be beneficial to the applicant country. The measures must not be more restrictive than other practicable measures that would be permitted under the General Agreement. Permission to apply such measures may involve a release from a negotiated commitment, a release from other obligations under the General Agreement, or both. A contracting party that desires to take action under article XVIII is required to notify the Contracting Parties of its proposed action, so that other contracting parties may indicate whether their interests would be adversely affected by such action. Approval of the proposed measure by the Contracting Parties is mandatory if the measure meets the standards outlined above.

During the first 10 years of the operation of the General Agreement—from 1947 to 1957—releases from obligations under the provisions of article XVIII for purposes of economic development have been granted on one or more occasions to each of four contracting parties—Ceylon, Cuba, Haiti, and India.

Early in the 12th Session of the Contracting Parties, Ceylon requested that its applications for releases on 3 products of new industries, and the modification and extension of earlier releases on 3 other products, be considered by a panel instead of by a working party.[33] The Chairman of the Contracting Parties pointed out that the panel method of handling the applications would be appropriate only if Ceylon had signed the Protocol Amending the Preamble and Parts II and III of the General Agreement, which contained the revised text of article XVIII. Ceylon signed the protocol on October 30, 1957, and its applications for releases were then referred to a panel. The 3 new products for which releases were sought were cotton textiles, crown corks, and bicycle tires and tubes.

[32] See Contracting Parties to GATT, *Basic Instruments . . .*, vol. I, *Text of the Agreement and Other Instruments and Procedures*, Sales No. : GATT/1952-3, Geneva, 1952, pp. 41-46.

[33] For a discussion of Ceylon's previous releases, see *Operation of the Trade Agreements Program*: 9th report, pp. 30-31; and 10th report, p. 34.

Ceylon's applications also requested an increase of the coverage of the previously granted release on sarongs and sarong cloth, and an extension of the time limit for the releases on plywood chests and shooks.

The panel reported to the Contracting Parties that Ceylon had entered into consultations with interested parties whose products would be affected by the proposed releases. By the time the panel had completed its deliberations on the applications it had not been informed of the outcome of these consultations. It therefore recommended that the Intersessional Committee be authorized to grant the releases when the consultations had been successfully completed.[34] The Contracting Parties approved the recommendation.

The United States representative stated that his delegation could not accept the panel's recommendation on the duration of the releases, since the recommendation established no specific terminal dates to insure that the releases would be placed in effect within a reasonable time. The Chairman of the Contracting Parties proposed that the question be discussed more fully on another occasion.

Since Ceylon's applications for releases at the 12th Session were the first filed by any contracting party under the provisions of the revised article XVIII, the panel also made several other recommendations concerning the procedures to be followed under the revised article. The panel suggested that, since the revised article sets several fixed time limits for the procedures involved, future applicants for releases under article XVIII submit with their applications pertinent data that the Contracting Parties might need in considering the applications. The panel also recommended that the Contracting Parties confirm the Intersessional Committee's authority to act for them if, under the time limits prescribed in the revised article, a notification requires action when the Contracting Parties are not in session. The panel further recommended that for the annual review by the Contracting Parties of releases granted pursuant to the provisions of the revised article XVIII, the contracting parties concerned submit reports containing detailed information on the developments in the production, prices, and imports of the products involved. The Contracting Parties approved the panel's recommendations.

Examination of Quantitative Import Restrictions Imposed for Balance-of-Payments Reasons (Arts. XI–XV)

Articles XI through XV of the General Agreement deal with the problem of the use of quantitative restrictions on imports in trade between contracting parties. Article XI prohibits a contracting party from imposing nontariff restrictions—such as import restrictions, quotas, licensing

[34] The Contracting Parties were notified during the first half of 1958 by the consulting countries that the consultations had been concluded and that the releases had entered into force.

systems, or other quantitative control measures—on its imports from other contracting parties. Article XII, however, permits certain exceptions to this general rule for those contracting parties that are faced with balance-of-payments difficulties. Article XIII sets forth the general rule that any quantitative restriction applied pursuant to the provisions of the agreement must be nondiscriminatory in nature, but article XIV permits certain exceptions to this rule for countries faced with balance-of-payments difficulties that are regarded as transitional in character. Article XV recognizes the interrelationship—in balance-of-payments problems—of quantitative restrictions on imports that are within the jurisdiction of the Contracting Parties and of exchange problems that are within the jurisdiction of the International Monetary Fund. It does this by providing for consultation between the two organizations and by delineating the sphere of action of each in balance-of-payments problems.

In essence, these five articles of the General Agreement impose on contracting parties an obligation to forego the use of quantitative restrictions on imports except in the most compelling circumstances. Although articles XII and XIV make it clear that balance-of-payments difficulties may justify resort to quantitative restrictions, those articles also provide that a contracting party that resorts to such restrictions must in certain instances consult with the Contracting Parties regarding the nature, extent, and justification of the restrictions. Furthermore, article XIV requires the Contracting Parties to prepare an annual report on the discriminatory application of the quantitative restrictions permitted by the provisions of that article.

Contracting parties that wish to apply discriminatory import restrictions may do so under the provisions of paragraph 1(b) of article XIV[35] of the General Agreement. Under the provisions of this paragraph, deviation from the provisions of article XIII is permitted to the same extent that it is permitted under article XIV of the Articles of Agreement of the International Monetary Fund or under paragraph 6 of article XV of the General Agreement, both of which provide for special exchange agreements. If, on March 1, 1948, for balance-of-payments reasons, a contracting party was, under the provisions of paragraph 1(b) of article XIV of the General Agreement, applying import restrictions that deviated from the rules of nondiscrimination set forth in article XIII, it could elect to continue to apply such restrictions under paragraph 1(c) of that article and could adapt such deviations to changing circumstances. If a contracting party did not wish to be bound by the provisions of paragraph 1(b) and 1(c) of article XIV of the General Agreement, and had signed the Protocol of Provisional Application before July 1, 1948, it could

[35] These and other similar provisions were adopted by the Contracting Parties in recognition of the transitional exchange problems that various contracting parties faced after World War II.

elect to be governed by the provisions of annex J to the General Agreement.

By electing to be bound by the provisions of annex J to the General Agreement, a contracting party has the advantage of being permitted to apply restrictions that are not permitted to members of the International Monetary Fund under paragraph 1(b) of article XIV of the General Agreement. In return it must consult annually with the Contracting Parties on these discriminatory restrictions, and must adhere to the limiting requirements of annex J. By deciding to apply certain of its restrictions under the provisions of paragraph 1(c), a contracting party has the advantage of being permitted to do so, when it is not permitted to do so under paragraph 1(b) as a member of the International Monetary Fund. In return it must consult annually with the Contracting Parties on those restrictions that exceed the limits set forth in paragraph 1(b). This latter alternative is useful to those contracting parties that wish to distinguish between the discriminatory restrictions they apply for balance-of-payments reasons under the International Monetary Fund Agreement—on which they may not wish to consult with the Contracting Parties—and those they apply for other reasons. Therefore, these contracting parties have an advantage, in that only the discriminatory restrictions they apply under paragraph 1(c) of article XIV of the General Agreement become the subject of the required consultations.[36]

During the first 10 years of the operation of the General Agreement—that is, from October 31, 1947, to October 31, 1957—the Contracting Parties held consultations on balance-of-payments restrictions with contracting parties under the provisions of article XII:4(b) on 8 occasions; on 5 of these occasions they also held consultations under the provisions of article XIV:1(g).

Consultations during 1957 (arts. XII and XIV)

Up to and including their 11th Session, the Contracting Parties conducted consultations pursuant to paragraph 1(g) of article XIV on the application of discriminatory balance-of-payments restrictions only with those contracting parties that were applying such restrictions under the provisions of paragraph 1(c) of article XIV and annex J, and—in instances of intensification of restrictions—under paragraph 4(b) of article XII. At the 11th Session the United States delegate proposed that the Contracting Parties hold consultations during 1957 under the previously unused provisions of paragraph 4(b) of article XII, which permit consultations with all contracting parties that apply quantitative import restrictions for balance-of-payments reasons. Such a project would involve consultations with about 21 countries—a much more compre-

[36] For a further discussion of these options (the so-called Havana and Geneva options), see *Operation of the Trade Agreements Program* (2d report), pp. 22–23.

hensive undertaking than the previous consultations, which had involved only 5 countries that applied discriminatory balance-of-payments restrictions under the provisions of paragraph 1(c) of article XIV, annex J, and paragraph 4(b) of article XII.

The proposed consultations under paragraph 4(b) of article XII, besides involving more countries, were to be broader in scope than those under article XIV. Consultations under article XIV concentrate on the technical details of the restrictions, such as their discriminatory effects. Consultations under article XII would include an examination of all the financial problems faced by each consulting country, the procedures it employs to regulate imports, and the effects of its restrictions on its internal and external trade. Moreover, consultations under article XII would consider possible alternative measures that the consulting country might employ to improve its balance-of-payments position.

It was the United States view that many changes had taken place in the economic position of the countries concerned since the Contracting Parties had conducted their general examination of quantitative import restrictions in 1951—for example, changes in production, in patterns of trade, in monetary reserves, and in currency stability. In fact, during the 10-year life of the General Agreement the Contracting Parties had conducted no consultations with the majority of the contracting parties that apply such restrictions. Since there had been no opportunity for comprehensive consultations on such restrictions, the United States hoped that the consultations it proposed would contribute to the general program for eliminating restrictions.

The need for such consultations had been recognized in the review of the General Agreement that the Contracting Parties conducted at their Ninth Session in 1954–55. At that time the Contracting Parties decided to revise article XII to require all contracting parties that maintain import restrictions for balance-of-payments reasons to consult on such restrictions every year, or in the case of underdeveloped countries, every 2 years. These consultations originally were to be implemented under the provisions of the Agreement on the Organization for Trade Cooperation.

At the 11th Session the working party on balance-of-payments restrictions reported favorably on the United States proposal and suggested a tentative schedule of consultations and an agenda for them. The Contracting Parties adopted the recommendations of the working party and established a consultations committee. The consultations were held in three stages: During June and July 1957; immediately before the 12th Session; and early in the 12th Session.

At the beginning of the 12th Session the consultations committee was reconstituted as the working party on balance-of-payments questions, and was directed (1) to complete the remaining consultations; (2) to prepare the eighth annual report on discriminatory import restrictions imposed for balance-of-payments reasons; and (3) to recommend action by the Contracting Parties in implementing the revised provisions of article XII and of section B of article XVIII, insofar as concerns the contracting parties that have accepted the Protocol Amending the Preamble and Parts II and III of the General Agreement on Tariffs and Trade.

During 1957 the consultations committee, acting as such, and as the working party on balance of payments at the 12th Session, consulted with a total of 21 countries under the provisions of the revised article XII:4(b). These countries were Australia, Austria, Brazil, Ceylon, Denmark, Finland, France, the Federal Republic of Germany, Greece, India, Italy, Japan, the Netherlands, New Zealand, Norway, Pakistan, the Federation of Rhodesia and Nyasaland, Sweden, Turkey, the Union of South Africa, and the United Kingdom. In conjunction with these consultations, 3 contracting parties—Finland, France, and India—also consulted, under the provisions of article XII:4(b), regarding their substantial intensification of import restrictions during 1957. The committee also completed consultations with 5 contracting parties, pursuant to paragraph 1(g) of article XIV, on their continued application of discriminatory quantitative restrictions on imports. Of these, Australia had been applying such restrictions under the provisions of paragraph 1(c) of article XIV of the General Agreement; and Ceylon, New Zealand, the Federation of Rhodesia and Nyasaland, and the United Kingdom had been applying such restrictions under the provisions of annex J. Pursuant to article XV of the General Agreement the International Monetary Fund participated in the consultations, and in each instance provided relevant information and background material about the consulting contracting parties. The Contracting Parties combined the consultations required under paragraph 1(g) of article XIV with those scheduled for the same countries under article XII.

At their 12th Session the Contracting Parties approved all the reports submitted to them by the consultations committee. They also approved the recommendation of the committee (functioning as the working party on balance of payments) that New Zealand and Czechoslovakia be permitted to dispense with their annual consultations and that in the future they be required to consult only upon request.

With respect to implementing the revised provisions of articles XII and XVIII:B, the working party on balance-of-payments questions recommended that the review of all balance-of-payments restrictions provided for in the revised articles begin on January 2, 1958, and be completed at the 13th Session. The working party also recommended that the substantive work of the review commence at the beginning of 1958 and that a report on the review be submitted to the Contracting

Parties at their 13th Session. The purpose of this review is to provide a factual study of the scope of the quantitative restrictions applied by the Contracting Parties as a whole, as well as the level, method, and effect of the restrictions applied by them individually, in preparation for effective future administration of the revised articles of parts II and III of the General Agreement.

Although contracting parties that have not yet accepted the protocol amending article XII are not required to participate in the review, the working party felt that the review would be of such general interest that these countries probably would wish to associate themselves with it. The working party also recommended that the Executive Secretary of the Contracting Parties make recommendations on arrangements and procedures for the annual consultations under the revised article XII and the biennial consultations with underdeveloped countries under the revised article XVIII. The working party recognized that the Contracting Parties were still obligated to initiate consultations with those contracting parties that substantially intensified restrictions under article XIV:1(g). However, those contracting parties that apply their restrictions under the revised articles XII and XVIII would now be obligated to initiate consultations. The Contracting Parties approved the report and recommendations of the working party on balance-of-payments questions.

West German import restrictions

After completion of the article XII consultations that took place before the opening of the 12th Session, and after consideration of the findings of the International Monetary Fund, the working party on balance-of-payments questions agreed that the Federal Republic of Germany was no longer entitled to impose quantitative restrictions for balance-of-payments reasons. In order to comply with this decision and with the requirements of article XI, the West German delegate presented his country's program for liberalizing such restrictions. Many of the delegates at the 12th Session felt that the proposed program did not adequately satisfy West Germany's obligations under the General Agreement. The West German delegation agreed to transmit their opinions to its Government. After discussing the proposed West German program, the Contracting Parties postponed consideration of further action on it until the April 1958 meeting of the Intersessional Committee.

At the Intersessional Committee meeting in April 1958 the West German representative stated that, of the import restrictions remaining after completion of the liberalization program, those restrictions that were required by his country's marketing laws were authorized by the Federal Republic's reservation to the Torquay Protocol and by the March 7, 1955, decision of the Contracting Parties. As for those restrictions not required by the marketing laws, his country rejected the use of a waiver, because the current conditions that required such restrictions might prove to be permanent in nature. He stated that the Federal Republic is prepared to enter into consultations with those contracting parties whose interests have been impaired by the continued application of the West German restrictions.[37]

The Intersessional Committee expressed disappointment that West Germany had confirmed its intention to maintain the import restrictions in question, since they were no longer authorized under article XII. The Committee felt that the issue involved a fundamental principle, disregard of which would undermine the very structure of the General Agreement and threaten the free multilateral trading system that the Contracting Parties had endeavored to establish. It felt, therefore, that should immediate removal of some of West Germany's remaining import restrictions present insurmountable difficulties, the Federal Republic should apply for a "hard core" waiver or a waiver under article XXV.[38]

In an effort to solve the problem, the Intersessional Committee reactivated the working party on West German import restrictions that had functioned during the 12th Session, and directed it to determine whether the continued application of import restrictions by West Germany pursuant to that country's marketing laws and its reservation to the Torquay Protocol was contrary to the terms of the General Agreement. The majority of the working party felt that Germany's position with respect to maintenance of these import restrictions was unacceptable. After the working party reported, the United States representative stated that there was no justification under the General Agreement for the continued application by West Germany of its remaining import restrictions, and that its contention concerning its reservation in the Torquay Protocol could not be accepted by most of the contracting parties. He further urged that West Germany utilize agreed procedures to reconcile its position with the provisions of the General Agreement. He also stated that the Contracting Parties at their 13th Session would be warranted in finding that further delay by the Federal Republic in removing its remaining import restrictions, or in reconciling its position with the provisions of the General Agreement, would constitute a circum-

---

[37] For the resolution of Mar. 7, 1955, expressing the unanimous agreement of the Contracting Parties to the attaching of a reservation on acceptance of the General Agreement by contracting parties, see Contracting Parties to GATT, *Basic Instruments* . . ., 3d supp., Sales No. : GATT/1955–2, Geneva, 1955, pp. 48–49.

[38] Art. XXV provides for waivers of obligation under exceptional circumstances not elsewhere provided for in the General Agreement.

stance serious enough to justify the application of the provisions of article XXIII:2.[39]

The Intersessional Committee adopted the report of the working party on West German import restrictions and, by a rollcall vote, approved the United States recommendation.[40]

Eighth annual report on discriminatory application of quantitative import restrictions (art. XIV)

The eighth annual report of the Contracting Parties on the discriminatory application of quantitative import restrictions was devoted primarily to an examination of developments during the period from November 1956 to November 1957. The report indicated that of the 37 contracting parties to the General Agreement, the following 24 maintained discriminatory quantitative import restrictions to safeguard their balance-of-payments position under the provisions of paragraphs 1(b) and 1(c) of article XIV, or under annex J: Australia, Austria, Brazil, Burma, Ceylon, Chile, Denmark, Finland, France, Ghana, Greece, India, Italy, Japan, the Federation of Malaya, the Netherlands, New Zealand, Norway, Pakistan, the Federation of Rhodesia and Nyasaland, Sweden, Turkey, the United Kingdom, and Uruguay.[41]

Six of these contracting parties—Ceylon, Ghana, the Federation of Malaya, New Zealand, the Federation of Rhodesia and Nyasaland, and the United Kingdom—maintained discriminatory quantitative import restrictions for balance-of-payments reasons under the special provisions of annex J to the General Agreement, and one contracting party—Australia—maintained such restrictions under the provisions of paragraph 1(c) of article XIV.

Two contracting parties—Indonesia and the Union of South Africa—maintained nondiscriminatory quantitative restrictions for balance-of-payments reasons under the provisions of article XII. The remaining 10 contracting parties—Belgium, Canada, Cuba, Czechoslovakia, the Dominican Republic, Haiti, Luxembourg, Nicaragua, Peru, and the

[39] Par. 2 of art. XXIII of the General Agreement provides that, under certain circumstances, the Contracting Parties may authorize a contracting party that is adversely affected by the actions of another contracting party to suspend the application of its concessions to the trade of that contracting party. Should a contracting party so suspend its concessions, the other affected contracting party is then free to withdraw from the General Agreement. If the circumstances are serious enough, the Contracting Parties may authorize such action when a contracting party nullifies or impairs any benefit accruing to another contracting party, or when the attainment of any objective of the agreement is being impeded and no adjustment between the interested contracting parties can be effected.

[40] Twenty-one countries voted in favor of the United States recommendation, six (the members of the European Economic Community) voted against it, and six abstained.

[41] Although the Federal Republic of Germany had been imposing discriminatory restrictions, it was no longer entitled to do so for balance-of-payments reasons according to the criteria set forth in art. XII.

United States—did not maintain quantitative restrictions for balance-of-payments reasons.

The report pointed out that the consultations held under article XII were the first full-scale discussion of the nature and effects of import restrictions since the review of restrictions that the Contracting Parties conducted in 1951. As in the two preceding reports, the working party on balance of payments observed a substantial relaxation of restrictions by many contracting parties, and the continued tendency of other contracting parties with balance-of-payments difficulties to avoid the intensification of existing restrictions. The working party felt that these developments reflected an increasing awareness of the need to use sound internal measures in attempting to solve balance-of-payments problems.

The report noted an intensification of discriminatory import restrictions for balance-of-payments reasons during 1957 by 4 countries—France, Finland, India, and Japan—and a relaxation of this type of restriction by 12 countries—Australia, Ceylon, Denmark, the Federal Republic of Germany, Italy, the Netherlands, New Zealand, Norway, Pakistan, the Federation of Rhodesia and Nyasaland, Sweden, and the United Kingdom. The report also noted that some countries still maintain different controls on imports from dollar countries than they do on imports from nondollar countries, and that elimination of this type of discrimination would be an important contribution to the achievement of multilateral trade.

Extension of the "hard core" decision of March 5, 1955

In their so-called hard-core decision of March 5, 1955, the Contracting Parties decided that when a contracting party is no longer entitled to maintain quantitative import restrictions to safeguard its balance-of-payments position it may request the Contracting Parties to release it from its obligation to immediately eliminate such restrictions. The decision provided that the Contracting Parties might approve a contracting party's continuation of such restrictions to the extent necessary to overcome the transitional problems involved in eliminating them. Under the decision, application of such restrictions could be continued for a maximum of 5 years. However, the decision stipulated that requests for continued application of restrictions must be submitted to the Contracting Parties not later than December 31, 1957.

At the 12th Session, Austria proposed that the deadline for applications under the provisions of the hard-core decision be extended. According to the representatives of Austria and of other contracting parties, some of the contracting parties were still applying restrictions for balance-of-payments reasons and would not be obligated to eliminate them for some time after the deadline provided in the hard-core decision. If the deadline in the hard-core decision were not extended, these countries would not be able to avail themselves of the transitional provision for continued application of restrictions.

After discussing this problem, the Contracting Parties decided to extend the deadline for requests for the continued application of restrictions for transitional reasons until December 31, 1958, and to again review the problem at their 13th Session in 1958.

TARIFFS AND TARIFF NEGOTIATIONS

Plans for Future Tariff Reductions

As the Contracting Parties did not include a plan for automatic tariff reductions in the negotiating rules for tariff reductions that they adopted at their 10th Session, a number of European "low tariff" countries requested that the Contracting Parties consider the possibility of adopting such a plan at a later session. These countries subsequently proposed that the Organization for European Economic Cooperation adopt such a plan as a part of its own program for tariff liberalization.

In July 1956 the Council of OEEC met at the ministerial level to consider the suggested plan for automatic tariff reductions. They postponed their decision on adopting such a plan, however, pending completion of a study of the possible ways in which OEEC members that are not included in the European Common Market might become associated with that organization. Although the Chairman of the Contracting Parties suggested at the 11th Session that the Contracting Parties defer consideration of the plan for automatic tariff reductions until OEEC had acted, the Contracting Parties—at the request of Denmark and Sweden—agreed instead to review the plan at their 12th Session.

Because of their heavy program for 1958, the Contracting Parties at their 12th Session again deferred examination of a multilateral approach to further tariff reductions, but agreed to place the subject on the agenda for the 13th Session.

European Economic Community

In June 1955, with a view to more closely integrating their economies, the six members of the European Coal and Steel Community (ECSC)—Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands—agreed to study the possibility of creating a customs union, to be known as the European Common Market, as well as a European community for the exploitation of atomic energy (Euratom). The efforts of these countries culminated in the signing of treaties for the Common Market and Euratom in Rome on March 25, 1957.[42]

[42] The Netherlands, the last member to ratify the Treaty Establishing the European Economic Community (Common Market Treaty), did so on Dec. 5, 1957. The treaty entered into force on Jan. 1, 1958.

In November 1956, at their 11th Session, the Contracting Parties discussed the problems associated with the creation of the Common Market and the proposed European free-trade area. At that time some of the contracting parties expressed concern that, without proper regulation, the common external tariff of the Common Market might become more protective than were the former tariffs of its individual members. The Contracting Parties noted that the six contracting parties concerned were prepared to submit the Common Market Treaty to them for consideration before its ratification, in accordance with the procedures set forth in article XXIV of the General Agreement. The Contracting Parties directed the Intersessional Committee to follow the developments with respect to the Common Market, and to report to them at their 12th Session.

Because of the rapid progress that the six countries made in drafting and signing the Common Market Treaty, the Intersessional Committee met in April 1957 to discuss preparations for consideration of the treaty by the Contracting Parties. Several members of the Committee expressed the opinion that if the Contracting Parties did not definitively consider the treaty at an early date there might not be an opportunity for such consideration before its ratification. The Committee established a procedure by which individual contracting parties might submit questions concerning the treaty to the members of the Common Market; the members were to submit their answers to the Intersessional Committee at its meeting in August 1957. The Committee also decided that after it had considered these answers it would recommend procedures for definitive consideration of the treaty by the Contracting Parties—either at a special session or at their 12th Session.

As a result of these questions and answers, the Intersessional Committee submitted to the Contracting Parties at their 12th Session a report on some of the issues involved and made some procedural suggestions for further examination of the treaty. Early in the 12th Session the Contracting Parties extended the authority of the Intersessional Committee to examine the Common Market Treaty so that the Committee might determine what additional factual material was necessary and report its finding to the Contracting Parties before the ministerial meetings scheduled for that session.

During the ministerial meetings at the 12th Session, preliminary consideration was given to the relationship of the European Economic Community and the General Agreement on Tariffs and Trade. A committee composed of representatives of the contracting parties was established to examine this relationship and to determine the most effective means of implementing the interrelated obligations that the participating countries have assumed in both the Common Market Treaty and the General Agreement. In order to examine the problem in greater detail, the committee established four subcommittees to consider the following subjects relating to the Common Market Treaty: (1) Tariffs and plan and schedule; (2) quantitative restrictions; (3) trade in agricultural products; and (4) association of overseas territories. Because of lack of time at the 12th Session, these subcommittees reached no definite conclusions on the treaty. For this and other reasons, the main committee recommended to the Contracting Parties that the Common Market Treaty be considered further by the Intersessional Committee. The main committee also recommended that for the purpose of examining the Common Market Treaty between the 12th and 13th Sessions, the Intersessional Committee be composed of representatives of all the contracting parties. The Contracting Parties adopted the recommendations of the committee and also briefly discussed the trade aspects of the European Atomic Energy Community Treaty.

At its meeting in April 1958 the Intersessional Committee continued its examination of the provisions of the Common Market Treaty. In order that the Intersessional Committee might adequately consider the proposed procedures for the European Economic Community's tariff negotiations with other contracting parties, provided for under article XXIV:6 of the General Agreement, that Committee asked the Community to provide it, before July 1, 1959, with a copy of the latter's common external tariff and certain other related information. After discussing matters such as the common external tariff, quantitative restrictions, agricultural provisions, and association of overseas territories, the Intersessional Committee concluded that it was more important to give immediate attention to the specific and practical problems of the Common Market than to questions concerning the compatibility of the treaty with article XXIV of the General Agreement. The Committee also concluded that the procedures set forth in article XXII, which provide for joint consultations by contracting parties, were appropriate for dealing with questions concerning the association of overseas territories with the Common Market. The Intersessional Committee noted the European Economic Community's statement that formulation of the Community's agricultural policy would require several years, and suggested that the Community continue to keep the Contracting Parties informed of its progress in developing its agricultural policy.

Proposed European Free-Trade Area

By June 1956 a movement was under way within the Organization for European Economic Cooperation to form an association embracing not only the members of the European Common Market, but also members of OEEC who were not included in the Common Market. The OEEC decided that such an association should take the form of a European free-trade area, within which the six-member Common Market would function as a single member.[43]

At its April 1957 meeting the Intersessional Committee was informed by the Deputy Secretary General of OEEC that on February 13, 1957, the Council of Ministers of OEEC had decided to begin negotiations for establishment of a free-trade area. At their 12th Session the Contracting Parties directed the Intersessional Committee (1) to keep informed on the free-trade area negotiations; (2) to act on behalf of the Contracting Parties at such negotiations; and (3) to report to the Contracting Parties at their 13th Session in October 1958.

At its April 1958 meeting the Intersessional Committee was informed that negotiations for the proposed free-trade area were being conducted at the ministerial level by an intergovernmental committee, which was established by an OEEC resolution of October 17, 1957. Since the negotiations for the proposed free-trade area were far from complete, the Intersessional Committee could not be supplied at that time with any definitive information. The Committee was informed, however, that OEEC would report to it any future developments concerning the negotiations for a free-trade area.

Franco-Tunisian Customs Union

At the Ninth Session of the Contracting Parties in 1954–55, France announced that—under the appropriate provisions of the General Agreement—France and Tunisia intended to join in a customs union. The proposed customs union was established on June 3, 1955, under the provisions of article II of the Economic and Financial Convention that was signed by the two countries in Paris. By January 1, 1956, the date on which the convention entered into force, the Franco-Tunisian Customs Union was substantially complete. Most of the quotas that applied to trade between the two countries had been abolished, and, with certain exceptions, Tunisia was applying the French customs tariff to imports of goods from third countries.[44]

At the last meeting of the 11th Session, France notified the Contracting Parties that the formation of the Franco-Tunisian Customs Union had been completed. Therefore, the Contracting Parties could not act on it then under article XXIV of the General Agreement, which provides for reports and recommendations by the Contracting Parties relating to a "proposed" customs union. Examination of the treaty constituting the Customs Union, therefore, will take place under the provisions of article XXV, and will involve examination of both the treaty and sup-

[43] For a more detailed discussion of the proposed European free-trade area, see *Operation of the Trade Agreements Program* (10th report), pp. 129–132.

[44] For additional details of the Franco-Tunisian Customs Union, see *Operation of the Trade Agreements Program* (10th report), pp. 43–44.

porting information in the light of the provisions of article XXIV. The Contracting Parties directed the Intersessional Committee to examine the treaty and report to them at their 12th Session in 1957. Because the proposed Common Market Treaty provided for the association of Tunisia with the Common Market, the Intersessional Committee—at its April 1957 meeting—agreed to defer its examination of the treaty until the 12th Session of the Contracting Parties. At the 12th Session the Contracting Parties delayed examination of the treaty until their 13th Session in October 1958.

Accession of Ghana and Malaya

Paragraph 4(c) of article XXVI of the General Agreement provides that a contracting party may sponsor the accession to the agreement of its territories, on behalf of which it has previously accepted the rights and obligations of the agreement. Prerequisite to such accession is a declaration by the contracting party concerned that the customs authorities of the territory in question possess full autonomy to conduct the territory's external commercial relations.

Ghana, composed of the former British territories of the Gold Coast and Togoland, attained independence and became a member of the British Commonwealth of Nations on March 6, 1957. On October 17, 1957, after a declaration of sponsorship by the United Kingdom, it became a contracting party to the General Agreement in its own right. The agreement had previously applied to the Gold Coast and Togoland as areas for which the United Kingdom had international responsibility. On November 14, 1957, Ghana deposited a declaration acknowledging its obligations under the General Agreement.

The Federation of Malaya became an independent member of the British Commonwealth with dominion status on August 31, 1957. On October 17, 1957, after a declaration of sponsorship by the United Kingdom, it became a contracting party to the General Agreement in its own right. The agreement had previously applied to Malaya as an area for which the United Kingdom had international responsibility. On November 1, 1957, Malaya deposited a declaration acknowledging its obligations under the General Agreement.

Proposed Accession of Switzerland

On September 15, 1956, Switzerland asked the Contracting Parties to consider—at their 11th Session—its provisional accession to the General Agreement under the provisions of article XXXIII. Switzerland recognized the existence of certain special problems in connection with its accession, but preferred to defer their solution until after it had acceded by making several reservations to the provisions of the General Agreement. The Swiss Government pointed out that tariff negotiations, which are prerequisite to provisional accession, would be possible after the Swiss Federal Council and Parliament had approved a revision of the Swiss customs tariff.

The Contracting Parties approved the request of Switzerland that it be permitted to undertake tariff negotiations with a view to provisional accession to the General Agreement. The arrangements and procedures that the Contracting Parties agreed upon are similar to those that were employed for the provisional accession of Japan. They will consist of (1) a decision by the Contracting Parties inviting Switzerland to participate in the activities of the Contracting Parties,[45] and (2) a declaration, signed by Switzerland and those contracting parties that wish to do so, providing that trade between the signatories and Switzerland will be governed by the terms of the declaration, and providing for entry into force of the tariff concessions that result from the negotiations. The terms of the declaration will include all the provisions of the General Agreement, but will be subject to such reservations as may be made by Switzerland and approved by the Contracting Parties, and to the reservations that may be made by the other contracting parties that sign the declaration.[46]

The Contracting Parties directed the Intersessional Committee to arrange for the proposed tariff negotiations and to establish a negotiations committee to draft the declaration relating to Switzerland's provisional accession. The Contracting Parties decided that the provisions of the declaration will be effective for a period of 2 years from the date on which it is accepted by Switzerland—subject to the possibility of renewal by mutual consent—or until such time as Switzerland definitively accedes to the General Agreement, whichever is earlier. The Contracting Parties also agreed that, at their first regular session following the signature of the declaration, they will adopt a resolution inviting Switzerland to participate in the work of the Contracting Parties. This resolution would continue in effect for the same period as the declaration.

Since the revision of the Swiss tariff had not been completed by the opening of the 12th Session, the Contracting Parties agreed at that session that the tariff negotiations with Switzerland would be held in Geneva beginning in 1958. The negotiations, which actually began on May 20, 1958, were not completed during the period covered by this report.

---

[45] For the decision of Oct. 23, 1953, inviting Japan to accede to the General Agreement, see Contracting Parties to GATT, *Basic Instruments . . .*, 2d supp., Sales No. : GATT/-1954-2, Geneva, 1954, p. 30.

[46] For a discussion of the three reservations made by Switzerland, see *Operation of the Trade Agreements Program* (10th report), pp. 45–47.

Application of the General Agreement to New Countries (Art. XXVI:4(c))

Under the provision of paragraph 4(c) of article XXVI of the General Agreement, a country which acquires full autonomy in the conduct of its external commercial relations and other matters, and to which the provisions of the General Agreement have applied before its independence, may be sponsored as a contracting party by the country that grants it independence. Three countries have become contracting parties to the General Agreement under this provision—Indonesia in 1950 and Ghana and Malaya in 1957. However, questions have arisen concerning the application of the General Agreement to certain other countries that have recently become independent. For example, because of the time that has elapsed since several customs territories became independent from France, some contracting parties have questioned whether these territories could become contracting parties in their own right through the sponsorship provision of article XXVI and, therefore, whether the Contracting Parties should continue to apply the provisions of the General Agreement to their trade.

To eliminate the uncertainty about applying the provisions of the General Agreement to such new countries, the Contracting Parties at their 12th Session revised the procedure for sponsorship. They agreed that the Contracting Parties would establish a specific time limit for sponsorship at their first regular session following notification that a customs territory had acquired full commercial autonomy. Until the specified time limit expires the contracting parties will be obligated to continue to apply the General Agreement in their relations with the territory, provided the territory continues to apply the General Agreement in its relations with them.

As a result of this revision of the sponsorship provision, the Contracting Parties agreed at their 12th Session that the time limit for sponsorship of Laos and Cambodia will end 2 weeks after the beginning of the 13th Session in 1958, and for that of Tunisia, 2 weeks after the beginning of the 14th Session in 1959.[47] Because of certain actions taken by Vietnam that have been inconsistent with the provisions of the General Agreement, no question arose concerning the application of the agreement to that country.

Cuban Tariff Reform

At the Ninth Session in 1954–55, Cuba notified the Contracting Parties that it was undertaking a complete revision of its obsolete and

[47] The accession of Laos and Tunisia was proposed by France shortly before the 11th Session of the Contracting Parties, but France withdrew the proposal from the agenda before the Contracting Parties had acted on it. See *Operation of the Trade Agreements Program* (10th report), p. 44.

inadequate customs tariff. According to Cuba, changes in the tariff were necessary to bring it up to date technically, to more adequately safeguard the position of Cuban exports in world markets, and to stimulate the country's economic development. During 1957 Cuba notified the Contracting Parties that it intended to place its new tariff in effect on January 1, 1958, and announced that it was ready to negotiate with the contracting parties affected.

At their 12th Session the Contracting Parties discussed the need for Cuba to revise its tariff and noted the fact that the level of its old tariff was such that Cuba could give affected contracting parties little compensation. The contracting parties that had a substantial interest in the Cuban tariff changes agreed in their negotiations with Cuba to take into account the principle that special consideration should be given to a country that had bound a high proportion of the items in its tariff at very low rates of duty and, therefore, was less able to make compensatory adjustments than were other contracting parties. The Contracting Parties agreed that Cuba might undertake its negotiations as an underdeveloped country under the provisions of article XVIII. As such, it would not be bound by the limiting provisions of article XXVIII.[48]

Adjustment of Finnish Schedule

On September 15, 1957, the Bank of Finland, with the concurrence of the International Monetary Fund, reduced by 39.13 percent (in terms of United States dollars) the value of Finland's currency. At the 12th Session Finland asked the Contracting Parties for authorization to increase the specific duties in its schedule by not more than 39 percent, to correspond with the new par values of its currency. Such an adjustment is provided for in article II:6(a) of the General Agreement. As the proposed increase was more than the 20-percent limit provided for in article II, the Contracting Parties would have to agree that the change would not impair the value of concessions previously granted.

Since Finland wished to make the 39-percent adjustment in its schedule on January 1, 1958, sufficient time was not available for contracting parties to determine whether the new measure would impair the value of concessions granted to them. The Contracting Parties, therefore, decided that Finland might make the adjustment, effective on January 1, 1958, but that it should defer any particular adjustment when a contracting party notified Finland that such adjustment would impair Finland's concessions to other contracting parties. In addition, an interested contracting party could claim impairment up to 3 months after the adjustment was placed in effect. Unsettled claims of impairment

[48] For a discussion of the time limit placed on art. XXVIII negotiations, see the section of this chapter on continued application of schedules, and art. XXVIII negotiations.

are to be decided by the Contracting Parties or by the Intersessional Committee.

Revision of New Zealand Tariff

Since 1955 New Zealand has been in the process of revising its customs tariff. At the 12th Session of the Contracting Parties the New Zealand representative stated that while New Zealand could comply with all the other provisions of revised article XXVIII of the General Agreement, because of the legal procedures involved in revising its tariff it could not comply with the provisions relating to timing. Under New Zealand law, a new tariff is brought into force—without prior announcement or publication—by a resolution of the parliamentary Committee on Ways and Means at the same time that a bill ratifying the resolution is introduced and considered at a parliamentary session. The New Zealand representative stated that as soon as New Zealand's new tariff became effective his Government would offer compensatory concessions to interested contracting parties and enter into negotiations with them. The revised article XXVIII of the General Agreement provides that a contracting party contemplating tariff revision after January 1, 1958, should notify the Contracting Parties of such revision before that date.[49] The procedure under article XXVIII contemplates that negotiations with interested parties be conducted before the revised tariff becomes effective.

The Contracting Parties authorized New Zealand to place its revised tariff in effect at the same time that it was submitted to the New Zealand Parliament. However, they decided that, among other things, New Zealand should—before the tariff is approved and enters into force—advise contracting parties of the items modified or withdrawn and of the compensatory concessions proposed, and promptly thereafter enter into negotiations with interested contracting parties and complete such negotiations before the opening of the 13th Session.

OTHER DEVELOPMENTS RELATING TO THE AGREEMENT

Application of Article XXXV in the Accession of Japan

At their Eighth Session in 1953 the Contracting Parties approved Japan's provisional participation in the General Agreement. Negotiations for Japan's definitive accession to the agreement began in February 1955 and were concluded in June of that year; Japan became a contracting party to the agreement on September 10, 1955.[50] Although the Contract-

[49] See the section of this chapter on continued application of schedules, and art. XXVIII negotiations.

[50] For a detailed discussion of Japan's accession to the General Agreement, see *Operation of the Trade Agreements Program*: 6th report, pp. 51–54; 7th report, pp. 75–79; and 8th report, pp. 71–72.

ing Parties unanimously approved the terms of Japan's accession, 14 contracting parties believed it would not be to their advantage to apply the provisions of the General Agreement to that country. Those countries, therefore, did not negotiate tariff concessions with Japan. Instead, they invoked the provisions of article XXXV of the agreement, which permit a contracting party to refrain from applying the agreement to an acceding country with which it has not negotiated tariff concessions. Such a widespread invocation of article XXXV was of serious concern to Japan, and it therefore requested that the matter be placed on the agenda for the 10th Session of the Contracting Parties.

At the 10th Session the contracting parties that had invoked article XXXV still considered that the General Agreement did not contain satisfactory safeguards against competition from Japanese goods. Nearly all of the contracting parties expressed the belief that the most satisfactory way to resolve the problem was to continue bilateral consultations between Japan and the contracting parties concerned. The Contracting Parties decided to follow such a plan; they directed the Intersessional Committee to keep the problem under consideration, and agreed to reconsider the problem at their 11th Session if necessary.

At the 11th Session of the Contracting Parties, Brazil announced that when its new tariff became effective it would withdraw its invocation of article XXXV and would enter into tariff negotiations with Japan. The Contracting Parties instructed the Intersessional Committee to keep under review the problem of the application of article XXXV in the accession of Japan and to include it in the agenda for the 12th Session.

Brazil withdrew its invocation of article XXXV when its new tariff became effective on August 14, 1957, and Australia, in a trade agreement concluded with Japan in July 1957, undertook to discuss within 3 years the withdrawal of its invocation of article XXXV.[51] However, the Japanese representative reported to the Contracting Parties at their 12th Session that bilateral discussions with the other 12 countries that had invoked article XXXV had not been fruitful. The accession of Ghana and Malaya to the General Agreement in their own right increased to 15 the number of countries that now apply the provisions of article XXXV with respect to Japan. At the 12th Session the Contracting Parties placed the problem on the agenda for their 13th Session in 1958.

Limitation and Elimination of Subsidies

Under the provisions of the revised article XVI and the related note in the revised annex H of the General Agreement, contracting parties were obligated to abolish by January 1, 1958, all remaining direct or in-

[51] Under the terms of the Australian-Japanese trade agreement, Japanese goods are accorded most-favored-nation treatment.

direct subsidies on products other than primary products,[52] when the exportation of such products resulted in their sale at prices lower than those for like products being sold in the domestic market. If such subsidies were not abolished by January 1, 1958, the contracting parties were obligated not to extend their scope beyond that existing on January 1, 1958, and were to continue the subsidies only until such time as the contracting parties could agree to abolish them.

Since the revised article XVI stipulated no deadline after January 1, 1958, for abolishing these subsidies, the Contracting Parties at their 12th Session prepared a declaration for the signatures of the contracting parties that continue to apply subsidies. The declaration states that the signatories will not, until December 31, 1958, extend the scope of their subsidies on products other than primary products beyond that existing on January 1, 1955—the "standstill" date provided in the old article XVI. The declaration will enter into force when it is signed by Belgium, Canada, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, the United Kingdom, and the United States. The Contracting Parties agreed to review the problem of subsidies at their 13th Session and to decide then what further action should be taken.

Notifications of State Trading Activities

Under the provisions of paragraph 4(a) of the revised article XVII, contracting parties having state trading enterprises are required to report to the Contracting Parties on such activities. Since the revised article does not prescribe the time for making these reports, the Contracting Parties decided at their 12th Session that the first report should be submitted by February 1, 1958, and annually thereafter. They also agreed to review at a later date the type of information that is required in these reports.

Disposal of Surplus Agricultural Products

To prevent the disposal of surplus agricultural products from unduly disturbing world markets, the Contracting Parties—at their Ninth Session in 1954–55—adopted a resolution urging contracting parties that are planning to dispose of such surplus stocks to consult with the principal suppliers of the commodities involved, and with any other interested parties, to insure orderly marketing of these products.

The experience of certain contracting parties with the disposal of surpluses by other governments and the results of the consultations on this problem were discussed at the 11th and 12th Sessions. Because of its

[52] A primary product, for this purpose, is defined as "any product of farm, forest or fishery, or any mineral, in its natural form or which has undergone such processing as is customarily required to prepare it for marketing in substantial volume in international trade."

continuance, the problem was again placed on the agenda for discussion at the 13th Session.

As at previous sessions, the Contracting Parties at their 12th Session expressed concern about the effects of the United States surplus-disposal program and the failure of the United States in many instances to provide adequate notice of its intention to dispose of surplus products in world markets, thus preventing effective consultations with interested contracting parties.

Nomination of Officers of the Interim Coordinating Committee for International Commodity Arrangements

The Interim Coordinating Committee for International Commodity Arrangements (ICCICA) was established in 1947, pursuant to a resolution of the United Nations Economic and Social Council. Its activities consist principally of preparing yearly statements about intergovernmental collaboration in the field of commodity problems. In some instances, however, the Committee advises the Secretary-General of the United Nations on specific problems in the field of intergovernmental commodity collaboration. The Committee consists of a chairman, nominated by the Contracting Parties to the General Agreement; a representative of the Food and Agriculture Organization; and two other members. The term of office of the chairman is determined by the Contracting Parties to the General Agreement; the term of office of the other three members is indefinite.

At their 11th Session the Contracting Parties unanimously nominated Sir Edwin McCarthy, Deputy High Commissioner for Australia in London, to be chairman of the Committee for a period of 1 year. The Contracting Parties also agreed that the chairman of ICCICA should submit to them each year a review of the annual report prepared by ICCICA. In the interest of maintaining continuity of approach by the Committee, the Contracting Parties at their 12th Session renominated Sir Edwin as chairman for the following year.

Review of Commodity Trading Arrangements

At their Ninth Session in 1954–55, the Contracting Parties established a working party to consider and report on proposals for intergovernmental action designed to settle problems that arise with respect to international trade in primary commodities.[53] When the working party submitted its report to the Contracting Parties, it also submitted a draft of an agreement designed to facilitate the preparation and con-

[53] The United States did not accept membership on the working party. At the 10th and 11th Sessions the United States took the position that an additional agreement in this field was neither necessary nor desirable, and that the United States did not intend to participate in a convention on commodity arrangements should such a convention be concluded.

clusion of intergovernmental commodity agreements. The Contracting Parties discussed the report and the draft agreement and, as a result of their discussion, revised the latter.

At their 10th Session the Contracting Parties discussed at length the revised draft agreement on commodity arrangements. Since they continued to disagree on the provisions of the agreement, the Contracting Parties authorized the Intersessional Committee—should it appear that agreement could be reached—to establish a subcommittee to prepare a final draft agreement for consideration by the Contracting Parties at their 11th Session.

As no agreement was reached before the 11th Session, the Contracting Parties at that session reconstituted the working party on commodity problems and directed it to consider alternative approaches to the problems. On the recommendation of the working party, the Contracting Parties adopted a resolution that provided for consideration of problems related to international trade in primary commodities. Under the terms of the resolution, which recognized the competence of other international organizations in the field of primary commodities, the Contracting Parties decided to discuss at future sessions the trends and developments in international trade in primary commodities, as outlined by the chairman of ICCICA in his annual report and as indicated by consultations held under the various provisions of the General Agreement.

The report of the chairman of ICCICA at the 12th Session devoted special attention to the need for action with respect to the wide fluctuations in the prices of primary commodities. The review of the report by the Contracting Parties at a plenary session centered on (1) expansion of the trade of less developed countries at a slower rate than that of industrialized countries; (2) the effect of violent short-run fluctuations in the prices of primary products on the expansion of international trade; and (3) the widespread protection of agricultural products in international trade. As a result of the discussion the Contracting Parties appointed a panel of experts to examine international trade trends and their implications, with special reference to the three topics mentioned above, and to submit a report on their findings at the 13th Session.

Restrictive Business Practices

In 1953 the United Nations Economic and Social Council recognized the detrimental effects of restrictive business practices in international trade on economic development, employment, and international trade, and adopted a resolution stating that both national action and international cooperation are necessary to deal with such practices. At the Ninth Session of the Contracting Parties in 1954–55 the delegations of Denmark, Norway, and Sweden—in response to this resolution—proposed that the Contracting Parties revise the General Agreement to provide for the control of restrictive business practices in international trade. Because of a procedural misunderstanding between the Contracting Parties and the United Nations Economic and Social Council, however, the Contracting Parties postponed consideration of the proposal.

At the 11th Session of the Contracting Parties, Norway and the Federal Republic of Germany made individual proposals with respect to restrictive trade practices. West Germany proposed that the Contracting Parties recognize that such business practices may have adverse effects on trade between various contracting parties. West Germany also proposed that the Contracting Parties require any contracting party that maintains restrictive trade practices affecting international trade to consult with interested contracting parties, and to take appropriate domestic legal action to eliminate such practices. The Norwegian delegate likewise proposed that the Contracting Parties recognize the adverse effects of restrictive business practices. He suggested that the Contracting Parties establish a working party to consider whether they should undertake to control such practices. Should the working party so recommend, he suggested that it also recommend at the 12th Session the appropriate provisions that should be added to the General Agreement, or included in a supplemental agreement, to establish such controls. After discussion the Contracting Parties referred the West German and Norwegian proposals to the Intersessional Committee, with instructions that it submit a report and recommendations to them at their 12th Session.

The members of the Intersessional Committee could not agree on whether they should recommend the appointment of such a working party at the 12th Session or whether this decision should be left for further consideration at the 13th Session. Since there appeared to be no consensus on this question, the Contracting Parties at their 12th Session again referred the problem to the Intersessional Committee, with directions that it decide whether a working party or a panel of experts should be established, or whether the problem should again be referred to the Contracting Parties at their 13th Session.

Norwegian Proposal for Study of Legislation on Antidumping and Countervailing Duties

At the Ninth Session of the Contracting Parties in 1954–55, Norway proposed that the General Agreement be amended to direct the Organization for Trade Cooperation to work toward the standardization of rules governing the imposition of antidumping and countervailing duties. Since that time the Contracting Parties have been engaged in a study of such duties as applied by the individual contracting parties.[54]

[54] For the earlier history of the Norwegian proposal, see *Operation of the Trade Agreements Program* (10th report), pp. 48–49.

At their 11th Session the Contracting Parties directed the Secretariat—with the assistance of experts from the governments concerned—to analyze the information that had been made available by the Contracting Parties, and to submit a report on antidumping legislation to the Intersessional Committee or to the Contracting Parties at their 12th Session. A comprehensive report on this subject was furnished the Contracting Parties by the Secretariat at the beginning of the 12th Session. After discussing the report the various contracting parties agreed to submit to the Secretariat their individual views on what further action should be taken with respect to antidumping and countervailing duties. The Contracting Parties instructed the Secretariat to analyze these views and to submit a summary of them at the 13th Session.

Discrimination in Transport Insurance

In 1951, at the suggestion of the International Chamber of Commerce, the United Nations Transport and Communications Commission agreed to consider the problems arising from the application of national laws that restrict the freedom of importers and exporters to purchase cargo insurance in the countries of their choice. The Commission requested the Secretary-General of the United Nations to make a study of such restrictive national legislation. In his report the Secretary-General recommended that the matter be studied by the Contracting Parties to the General Agreement on Tariffs and Trade.

At their Eighth Session in 1953 the Contracting Parties noted the problem of discrimination in transport insurance, and directed their Executive Secretary to prepare a report on the issues involved.[55] The report was considered by the Contracting Parties at their Ninth Session, and the subject was retained on the agenda for further consideration at the next regular session.

At the 10th Session the United States proposed that the Contracting Parties adopt a resolution recommending that contracting parties refrain from interfering with the freedom of buyers or sellers of transport insurance to determine for themselves in which market they would obtain such insurance. The Contracting Parties referred the resolution to a working party for study. The working party proposed that the Contracting Parties adopt a resolution calling on contracting parties to avoid the enactment of measures relating to transport insurance that would have a more restrictive effect on international trade than those that now apply, and to eliminate—as rapidly as circumstances permit—any restrictive measures currently in force. The Contracting Parties agreed to consider the recommendation at their 11th Session.

At the 11th Session a divergence of opinion among the contracting

[55] For a more detailed discussion of this problem, see *Operation of the Trade Agreements Program* (7th report), pp. 95–96.

parties indicated that further discussion of the proposed resolution would be necessary before the matter could be taken up at a plenary meeting of the Contracting Parties. Accordingly, the Contracting Parties decided to defer consideration of the working party's recommendation until their 12th Session in 1957. At their 12th Session the Contracting Parties again delayed consideration of the recommendation until their 13th Session.

Trade and Customs Regulations

In June 1951 the International Chamber of Commerce adopted a number of resolutions relating to the reduction of trade barriers. The resolutions dealt with customs treatment of commercial samples and advertising materials, documentary requirements for the importation of goods, consular formalities, valuation of goods for customs purposes, the nationality of imported goods, and formalities connected with the administration of quantitative restrictions on imports.[56]

A working party considered these resolutions at the Sixth Session of the Contracting Parties in 1951, and again at the Seventh Session in 1952. As a result of the working party's report, the Contracting Parties adopted a draft convention on the importation of samples and advertising material, a code of standard practices relating to documentary requirements for the importation of goods, a code of standard practices relating to consular formalities, and a resolution regarding the application of import- and export-licensing restrictions to existing contracts. The Contracting Parties also recommended that individual contracting parties abolish their requirements for consular invoices and consular visas by December 31, 1956, and requested that they report each year on the progress they had made in doing so.[57]

At their Eighth and Ninth Sessions the Contracting Parties continued their discussions on the valuation of goods for customs purposes, on the nationality of imported goods, and on practices relating to consular formalities with respect to proof of origin in determining the nationality of imported goods.[58]

At their 10th Session the Contracting Parties continued their discussions on the nationality of imported goods and reviewed the progress that the contracting parties had made in abolishing consular invoices and consular visas. Each of these matters was placed on the agenda for consideration again at the 11th Session in 1956. The Contracting Parties also considered two resolutions that the International Chamber of Commerce had submitted to the Contracting Parties in May 1955. The first

---

[56] For a detailed discussion of the resolutions adopted by the International Chamber of Commerce, see *Operation of the Trade Agreements Program* (6th report), pp. 61–64.

[57] See *Operation of the Trade Agreements Program* (7th report), pp. 89–94.

[58] See ibid.; and 8th report, pp. 79–81.

resolution proposed that the Contracting Parties reword their earlier recommendation with respect to proof of origin in determining the nationality of imported goods; the other related to adoption of a set of guiding principles for an international arrangement designed to prevent the misuse of marks of origin. The Contracting Parties did not study these resolutions in detail at their 10th Session, but agreed to do so at the 11th Session.

Because it was apparent at the 11th Session that the individual contracting parties would not be able to abolish their consular formalities completely by the final date agreed upon at the 10th Session, the Contracting Parties decided not to establish any new date for the abolition of these formalities. However, they reaffirmed their previous recommendation that the contracting parties continue to eliminate the consular formalities they still maintained. The Contracting Parties agreed to alter the rules they had recommended with respect to proof of origin, as proposed to them by the International Chamber of Commerce at the 10th Session. They postponed until the 12th Session their decision on whether to establish a common definition of the nationality of imported goods and rules on marks of origin.

Because of the failure of some contracting parties to abolish consular formalities, the Contracting Parties at their 12th Session adopted a recommendation that these countries at least follow certain suggested practices that would simplify their consular procedures and insure fairness in their administration. Further examination of the problems of nationality of imported goods and marks of origin was deferred until the 13th Session.

Cooperation With the Organization of American States

Over the years the Secretariat of the Contracting Parties has found it advantageous to the operation of the General Agreement for the Secretariat to cooperate on an informal basis with other intergovernmental bodies. At the 12th Session the Secretariat requested the Contracting Parties to conclude a formal agreement for such cooperation between the Secretariat and the Organization of American States (OAS). The Contracting Parties approved the request. A formal agreement for cooperation with OAS was necessary because the powers of the Secretary General of that organization are not broad enough to permit him to cooperate with the Contracting Parties on an informal basis.

STATUS AND ADMINISTRATION OF THE GENERAL AGREEMENT

Definitive Application

Article XXVI of the General Agreement provides that the agreement shall enter into force when it has been accepted by contracting parties that account for 85 percent of the total foreign trade of all contracting parties to the agreement. The General Agreement, however, has never definitively entered into force under the provisions of article XXVI. It has been accepted pursuant to a protocol of provisional application, which requires that the signatories apply parts I and III of the agreement fully, and part II (which contains most of the trade rules) to the fullest extent not inconsistent with domestic legislation in effect on a specified date. Originally, if contracting parties desired to accept the agreement definitively pursuant to article XXVI, they were required to immediately modify domestic legislation that was inconsistent with the provisions of the agreement.

Although the Contracting Parties have desired definitive acceptance of the General Agreement at as early a date as possible, they have recognized that it would not be practicable for certain contracting parties to bring their domestic legislation into conformity with part II of the agreement immediately after such an acceptance. To surmount this obstacle, the Contracting Parties—at their Ninth Session in 1954–55—prepared a resolution which provided that an acceptance of the agreement pursuant to article XXVI would be valid even if accompanied by a reservation that legislation presently acceptable under the provisional application of the agreement would remain acceptable under the definitive application of the agreement. The resolution provided, however, that the Contracting Parties would periodically review the progress that contracting parties had made in bringing such "excepted" legislation into conformity with the General Agreement. The resolution entered into force during the 11th Session, after it had been accepted by all the contracting parties.

The Contracting Parties took no action on this matter at their 12th Session. However, the Executive Secretary urged that the contracting parties which had not already done so should definitively apply the General Agreement under the procedure provided at the Ninth Session.

Protocols of Amendment, and Agreement on the Organization for Trade Cooperation

At their Ninth Session in 1954–55, the Contracting Parties conducted a review of the General Agreement to determine to what extent it should be modified in order to attain its objectives more effectively. As a result of the review the Contracting Parties proposed a series of amendments to the General Agreement, and negotiated an Agreement on the Organization for Trade Cooperation.[59] The proposed amendments (which were incorporated in three protocols), as well as the Agreement on the Organization for Trade Cooperation, were then submitted to the contracting parties for acceptance. The amending protocols are of three types:

[59] See *Operation of the Trade Agreements Program* (8th report), pp. 9–26.

(1) Technical changes in certain of the general provisions; (2) minor technical changes in the general provisions designed to bring the General Agreement into conformity with the proposed OTC;[60] and (3) substantive changes in the preamble and parts II and III of the General Agreement. Shortly before the beginning of the 12th Session, on October 7, 1957, the third protocol, amending the preamble and parts II and III, entered into force for two-thirds of the contracting parties. By June 30, 1958, it was in effect for 29 contracting parties.[61]

Since so many contracting parties had not accepted the protocol amending the preamble and parts II and III of the General Agreement, the Contracting Parties extended the deadline for signing the protocol until 2 weeks after the opening of the 13th Session in October 1958. They also instructed the Intersessional Committee to advise, in the meantime, those contracting parties which have not accepted the protocol, of their position with respect to the provisions of article XXX:2. This article provides that the Contracting Parties may decide that any contracting party not accepting an amendment within a specified period of time shall be free to withdraw from the General Agreement or to remain a contracting party with the consent of the Contracting Parties. The Contracting Parties agreed to review the situation again at their 13th Session. By June 30, 1958, only 20 contracting parties had signed the Agreement on the Organization for Trade Cooperation; this agreement and the first and second protocols of amendment had not become effective by that date.

Because the protocol amending the preamble and parts II and III of the General Agreement had entered into force, the Contracting Parties took action at the 12th Session with respect to five of the revised articles.[62]

Rectification, Modification, and Consolidation of Schedules

Tariff concessions negotiated under the General Agreement are incorporated into the agreement by means of the schedules of tariff concessions. A schedule is a listing of all the concessions negotiated—pursuant to the provisions of the General Agreement—by one particular contracting party with other contracting parties. Each such country schedule contains, for each product on which the contracting party has granted a concession, the number under which the product is classified

[60] Protocol of organizational amendments.

[61] The first two protocols described above had not entered into force by June 30, 1958. The first protocol requires acceptance by all the contracting parties; the second will come into force concurrently with the Agreement on the Organization for Trade Cooperation.

[62] The actions of the Contracting Parties on arts. XII and XVIII are discussed in the section of this chapter on examination of restrictions imposed for balance-of-payments reasons. The action on art. XXVIII is discussed in the section on continued application of schedules; that on art. XVI, in the section on limitation and elimination of subsidies; and that on art. XVII, in the section on notifications of state trading activities.

in the tariff of the particular contracting party, a description of the product, and the rate of duty applicable to it. Article II of the General Agreement makes each schedule of concessions an integral part of the agreement.

From time to time the Contracting Parties find that the texts of the schedules should be modified formally to take into account changes that have, in fact, become effective by action of the Contracting Parties or in accordance with procedures established by the Contracting Parties.[63] Accordingly, they prepare protocols of rectifications and modifications, which list the changes necessary to bring the schedules up to date. The protocols, which are then submitted to the individual contracting parties for acceptance, formally enter into force when they have been accepted by all the contracting parties. However, since the modifications or rectifications contained in the protocols have already been placed in effect by action of the Contracting Parties, there is slight incentive for individual contracting parties to "accept" them formally.

On June 30, 1958, the Second, Third, Fourth, Fifth, Sixth, and Seventh Protocols of Rectifications and Modifications, prepared by the Contracting Parties and submitted to the contracting parties during the period 1952–57, had not yet entered into force, but the concessions listed in them had been placed in effect by the contracting parties concerned. The Seventh Protocol of Rectifications and Modifications, prepared during the 12th Session, was approved by the Contracting Parties and opened for signature on November 30, 1957.

At the 10th Session, several of the contracting parties expressed serious concern over the complexity of the schedules of concessions in the General Agreement. They pointed out that the original concessions and the subsequent rectifications and modifications were scattered among more than 20 legal instruments and several GATT documents. The Contracting Parties, therefore, explored the possibility of preparing a set of up-to-date, consolidated schedules. Toward the close of the session they adopted a tentative plan to prepare such consolidated schedules, and agreed to consider the plan again at their 11th Session in 1956.

By the 11th Session, copies of new consolidated schedules for several individual contracting parties were available. However, as completion of schedules for most of the contracting parties had been delayed, the Contracting Parties deferred until the 12th Session consideration of the form in which the consolidated schedules will be published and of a plan for keeping them up to date. At the 12th Session, on the recommendation of the working party on schedules, the Contracting Parties decided to

[63] Changes in the schedules may be substantive or nonsubstantive. An example of a substantive change is the modification of a rate of duty pursuant to art. XXVIII of the Genera Agreement; an example of a nonsubstantive change is the correction of a textual spelling error.

consider the publication of the consolidated schedules again at their 13th Session.

Intersessional Administration of the General Agreement

The General Agreement does not specifically provide for any organization for its administration. Article XXV provides that the contracting parties shall meet from time to time to consider matters arising out of the application of the agreement, but it does not provide any mechanism for administering the agreement during the period when the Contracting Parties are not in session. As a result of discussions at their Sixth Session in 1951, the Contracting Parties established—on an experimental basis—an ad hoc Committee for Agenda and Intersessional Business to deal with matters that might require immediate action during the period between the sessions of the Contracting Parties. This arrangement for intersessional administration of the agreement—modified somewhat at the Ninth Session in 1954–55—has since been continued.

The Intersessional Committee, as it is now termed, is authorized to consider matters that require urgent action between sessions, but for which the Contracting Parties have made no special arrangements. The Intersessional Committee is authorized also to establish working parties to consider special problems, and may request the convening of special sessions of the Contracting Parties to consider matters that require their immediate attention. The Committee is also directed to meet 4 to 6 weeks before the opening of each regular session of the Contracting Parties to prepare the agenda and order of business.

Usually the members of the Committee are selected in such a manner as to insure that the Committee will be representative of the broad geographical areas to which the contracting parties belong, and of the different degrees of economic development and divergent economic interests that are to be found among them. At their 12th Session, however, for the period between the 12th and 13th Sessions, the Contracting Parties reconstituted the Committee, increasing its membership to include representatives of all the contracting parties. They also directed the Committee to arrange for further consideration of the Treaty Establishing the European Economic Community and the Treaty Establishing the European Atomic Energy Community before the 13th Session in October 1958.

Continued Application of Schedules, and Article XXVIII Negotiations

Since the signing of the General Agreement in 1947 and the negotiation of the first schedules of concession, the Contracting Parties have agreed for successive periods of time not to modify, under the provisions of article XXVIII, the concessions they have granted in their respective schedules. At the end of each of these periods the Contracting Parties have made specific arrangements to permit contracting parties to modify their schedules.[64]

The last of such periods was to terminate on December 31, 1957.[65] In anticipation of the ending of this period, the Contracting Parties on November 28, 1957—at their 12th Session—adopted another Declaration on the Continued Application of Schedules. This declaration applied to those countries for whom the revised article XXVIII has not become effective. Those countries for whom the revised article XXVIII is effective are subject to the provisions of that article. The deadline for modification of schedules under both the declaration and the revised article XXVIII was extended from December 31, 1957, to March 31, 1958, for those contracting parties that notified the Contracting Parties by December 31, 1957, of their intention to enter into negotiations for modification of concessions under the revised article XXVIII in the last declaration. At its April 28, 1958, meeting the Intersessional Committee extended the terminal date for completion of the authorized negotiations to the end of the 13th Session. Under the revised article XXVIII, the new period for the continued application of schedules will terminate on December 31, 1960.

Ministerial Meetings at Sessions of the Contracting Parties

During their 11th Session the Contracting Parties agreed that meetings of the foreign ministers of the Contracting Parties, held in the early stages of succeeding sessions, would contribute to a more effective operation of the General Agreement. They decided, therefore, to arrange for such a ministerial meeting at their 12th Session in 1957.

At the 12th Session, foreign ministers and ministerial representatives of the Contracting Parties took part in the meetings of the Contracting Parties from October 28 to 30, 1957. Their discussions at these meetings related chiefly to the European Economic Community and to trends in international trade.

Election of Chairman and Vice Chairmen of the Contracting Parties

At the beginning of the 12th Session the Contracting Parties elected as Chairman of the Contracting Parties Mr. L. K. Jha, Special Secretary, Indian Ministry of Commerce and Industry, and as Vice Chairmen, Mr. Fernando Garcia-Oldini, Chilean Ambassador Extraordinary and Plenipotentiary to Switzerland, and Dr. Heinz Standenat, Counselor of Legation, Austrian Federal Chancellery, Department of Foreign Affairs.

[64] For further discussion of these arrangements, see *Operation of the Trade Agreements Program*: 7th report, pp. 80–83; 8th report, pp. 73–74.

[65] This date was specified in the Contracting Parties' declaration of Mar. 10, 1955.

Mr. Jha replaced Sir Claude Corea, K.B.E., High Commissioner of Ceylon in the United Kingdom.

Training Program for Government Officials of Contracting Parties to the General Agreement

At their 10th Session in 1955 the Contracting Parties tentatively approved a training program to familiarize young government officials of the contracting parties with the problems dealt with by the GATT Secretariat in administering the agreement, and authorized the Executive Secretary to place it in effect on an experimental basis.[66] At the 11th Session the Intersessional Committee, the Secretariat, and the contracting parties concerned reported their satisfaction with the program that had been conducted in the interim between the 10th and 11th Sessions. As a result of these reports, the Contracting Parties unanimously endorsed the training program as one of the positive achievements of GATT, and extended it into 1957. Because of the success of the program, the Contracting Parties increased the number of trainees from 6 to 10, effective for the second half of 1957. Financing of the increased number of trainees was made possible by the United Nations Technical Assistance Administration, which granted additional fellowships.

At their 12th Session the Contracting Parties extended the training program for another year and authorized the Executive Secretary to accept trainees from countries that are not contracting parties to the General Agreement.

Financial and Budgetary Matters

At their 12th Session the Contracting Parties approved the audit of the 1956 accounts and the report by the Executive Secretary on the financing of the 1957 budget. They also adopted an estimated budget of $512,960 for 1958, the United States contribution to which was $81,020. As has been true for the past 5 years, the budget estimate for the year ahead (1958) was higher than that for the preceding year. The increased budget resulted from a permanent increase in the workload of the GATT Secretariat.

[66] See *Operation of the Trade Agreements Program* (10th report), pp. 53–54.

Chapter 3

Actions of the United States Relating to Its Trade Agreements Program

UNITED STATES TRADE-AGREEMENT OBLIGATIONS

On June 30, 1958, the United States was a party to trade agreements with 43 countries, which agreements it had negotiated under the authority of the Trade Agreements Act, as amended and extended.[1] These countries may be considered in two groups.

1. The first group consists of 35 countries that were contracting parties to the General Agreement on Tariffs and Trade on the aforementioned date.[2] These countries, together with the dates on which the United States gave effect to the tariff concessions that it had initially negotiated with them, are listed below:

Country	*Date*	*Country*	*Date*
Australia	Jan. 1, 1948	Ghana[2]	Jan. 1, 1948
Austria	Oct. 19, 1951	Greece	Mar. 9, 1950
Belgium[1]	Jan. 1, 1948	Haiti[1]	Jan. 1, 1950
Brazil[1]	July 31, 1948	India	July 9, 1948
Burma	July 30, 1948	Indonesia[3]	Mar. 11, 1948
Canada[1]	Jan. 1, 1948	Italy	May 30, 1950
Ceylon	July 30, 1948	Japan	Sept. 10, 1955
Chile	Mar. 16, 1949	Luxembourg	Jan. 1, 1948
Cuba[1]	Jan. 1, 1948	Malaya[4]	Do.
Denmark	May 28, 1950	Netherlands[1]	Do.
Dominican Republic	May 19, 1950	New Zealand	July 31, 1948
Finland[1]	May 25, 1950	Nicaragua	May 28, 1950
France[1]	Jan. 1, 1948	Norway	July 11, 1948
Germany (Federal Republic)	Oct. 1, 1951	Pakistan	July 31, 1948

See footnotes at end of tabulation.

[1] For more detailed data on the trade agreements that the United States has concluded with foreign countries, see U.S. Tariff Commission, *Trade Agreements Manual: A Summary of Selected Data Relating to Trade Agreements That the United States Has Negotiated Since 1934*, 2d ed., 1957 [processed].

[2] Four countries withdrew from the General Agreement between Oct. 30, 1947, and June 30, 1958—the Republic of China, Lebanon, Liberia, and Syria. On June 30, 1958, a total of 37 countries, including the United States, were contracting parties to the General Agreement. Although Czechoslovakia was a contracting party to the agreement on that date, neither Czechoslovakia nor the United States had any obligations to the other under the agreement. On Sept. 29, 1951, the United States, with the permission of the Contracting Parties, suspended all its obligations to Czechoslovakia under the General Agreement. Subsequently, effective Nov. 2, 1951, the United States suspended the application of trade-agreement concessions to imports from Czechoslovakia.

Country—Con.	*Date*	*Country*—Con.	*Date*
Peru	Oct. 7, 1951	Union of South Africa	June 14, 1948
Rhodesia and Nyasaland[5]	July 12, 1948	United Kingdom[1]	Jan. 1, 1948
Sweden[1]	Apr. 30, 1950	Uruguay[1]	Dec. 16, 1953
Turkey[1]	Oct. 17, 1951		

[1] The bilateral trade agreements that the United States had previously concluded with these countries have been either suspended or terminated.

[2] Ghana (formerly the British territories of the Gold Coast and Togoland) attained independence and became a member of the British Commonwealth of Nations on Mar. 6, 1957. On Oct. 17, 1957, it became a contracting party to the General Agreement in its own right. The agreement had previously applied to the Gold Coast as an area for which the United Kingdom had international responsibility.

[3] The Netherlands negotiated concessions on behalf of the Netherlands Indies at Geneva in 1947. On Feb. 24, 1950, the Contracting Parties recognized the United States of Indonesia (now the Republic of Indonesia) as a contracting party to the General Agreement in its own right.

[4] The Federation of Malaya attained independence and became a member of the British Commonwealth of Nations on Aug. 31, 1957. On Oct. 24, 1957, it became a contracting party to the General Agreement in its own right. The agreement previously had applied to Malaya as an area for which the United Kingdom had international responsibility.

[5] The Federation of Rhodesia and Nyasaland, composed of Southern Rhodesia, Northern Rhodesia, and Nyasaland, formally came into existence on Sept. 3, 1953. On Oct. 30, 1953, it succeeded to the status of Southern Rhodesia as a contracting party to the General Agreement, and to the interests of Northern Rhodesia and Nyasaland, to which the agreement previously had applied as areas for which the United Kingdom had international responsibility.

2. The second group consists of those eight countries that had trade agreements with the United States but were not contracting parties to the General Agreement. These countries, together with the effective dates of the respective bilateral trade agreements, are as follows:

Country	*Date*	*Country*	*Date*
Argentina	Nov. 15, 1941	Iran	June 28, 1944
El Salvador	May 31, 1937	Paraguay	Apr. 9, 1947
Honduras	Mar. 2, 1936	Switzerland[1]	Feb. 15, 1936
Iceland	Nov. 19, 1943	Venezuela[2]	Dec. 16, 1939

[1] A supplementary trade agreement between the United States and Switzerland became effective July 11, 1955.

[2] A supplementary trade agreement between the United States and Venezuela became effective Oct. 11, 1952.

During the period covered by this report the United States invoked the provisions of the bilateral trade agreements with Argentina and with Iran to overcome restrictions on United States trade with those countries. When pertinent provisions of the United States-Argentina bilateral trade agreement were called to Argentina's attention, that country exempted the United States motion-picture industry from a tax on the exhibition of its films. Iran agreed to accord to shipments of automobile parts from

Puerto Rico the same concessions that it grants to such products imported from continental United States.[3]

During 1957–58 the United States continued—as required by section 5 of the Trade Agreements Extension Act of 1951—to suspend the application to imports from Communist-controlled countries or areas, of reduced rates of duty and import taxes established pursuant to any trade agreement. The United States also continued—pursuant to section 11 of the extension act of 1951—to prohibit the entry, or withdrawal from warehouse, for consumption, of specified furs that are the product of the Soviet Union or of Communist China.[4]

TRADE-AGREEMENT NEGOTIATIONS DURING 1957–58

During the period covered by this report the United States participated in trade-agreement negotiations under article XXV of the General Agreement on Tariffs and Trade with Brazil and under article XXVIII of the General Agreement, with Austria, Canada, Ceylon, Greece, and the Union of South Africa. The United States carried out its preparations for the tariff negotiations with these countries under the procedures specified in the Trade Agreements Act, as amended and extended, and in Executive Order 10082 of October 5, 1949.

Brazil

On October 31, 1957, the interdepartmental Committee for Reciprocity Information issued notice that it would hold a public hearing, beginning December 5, 1957, to obtain views and information in connection with the proposed United States participation in tariff negotiations with Brazil. Such tariff negotiations were provided for in a waiver of certain Brazilian obligations under the General Agreement that the Contracting Parties granted to Brazil on November 16, 1956.

At the 10th Session of the Contracting Parties in 1955, Brazil advised the Contracting Parties that it intended to submit a draft of a new customs tariff to the Brazilian Congress; the draft tariff was submitted to the Congress in 1956. According to Brazil its old tariff did not provide sufficient revenue or protection and the nomenclature was obsolete and confusing. For these and other reasons, Brazil stated, it had been forced to impose quantitative restrictions on imports and to adopt exchange controls.

At their 11th Session the Contracting Parties discussed the effect of the proposed new tariff on Brazil's obligations under article II of the General Agreement. The Brazilian representative stated that although

[3] The President of the United States (Eisenhower), *Second Annual Report on the Trade Agreements Program*, 1958, p. 11.

[4] For details of United States action under secs. 5 and 11 of the Trade Agreements Extension Act of 1951, see *Operation of the Trade Agreements Program* (6th report), pp. 77–78.

exchange controls would still be necessary to maintain currency stability and to assist in his country's economic development, the new tariff would result in no change in the volume or composition of imports. According to him, the new tariff would merely entail the obtaining from import duties of revenue currently obtained under the auction system of exchange control. Because of the urgency and exceptional nature of the circumstances it felt applied to its case, Brazil requested the Contracting Parties to grant it a waiver under the provisions of article XXV rather than under the provisions of article XXVIII, which are applicable to a complete tariff revision.

Under the general waiver power provided for in paragraph 5 of article XXV, the Contracting Parties granted Brazil a waiver from the provisions of paragraph 1 of article II. Under the terms of the waiver, Brazil was relieved of the obligation to renegotiate existing tariff concessions before making effective the higher rates of its new tariff. However, Brazil was required to conduct such renegotiations within 1 year from the time its new tariff entered into force.

The new Brazilian tariff, which became effective on August 14, 1957, not only involved changes in nomenclature but also substituted a new schedule of ad valorem rates of duty for the former specific rates. The new rates of duty, many of which are substantially higher than the old rates, also reflect incorporation into the customs tariff of part of the burden on imports represented by the former foreign-exchange premiums (agios), as well as other taxes on imports. The rates of duty in the new tariff have the effect of substantially modifying the concessions that Brazil has granted in the General Agreement, including those it has granted to the United States. The tariff negotiations between Brazil and other contracting parties to the General Agreement were designed to provide compensatory adjustments for the increases in the import duties on commodities listed in Brazil's schedule of the General Agreement.

By June 30, 1958, the close of the period covered by this report, the article XXV negotiations between Brazil and other contracting parties to the General Agreement had not been completed.

Austria, Canada, Ceylon, Greece, and the Union of South Africa

On September 16, 1957, the interdepartmental Committee for Reciprocity Information requested interested parties to submit—by October 7, 1957—their views on the proposed United States participation in tariff negotiations, under article XXVIII of the General Agreement, with Austria, Canada, Ceylon, Greece, and the Union of South Africa. These countries were among those that had expressed a desire to avail themselves of the opportunity, on January 1, 1958, of modifying or withdrawing certain concessions in their schedules of the General Agreement.

Article XXVIII of the General Agreement originally provided that contracting parties might, after January 1, 1951, modify or withdraw any tariff concessions that they had granted, without joint action by the Contracting Parties. At Torquay, the Contracting Parties extended the assured life of the tariff concessions in the General Agreement to January 1, 1954, and at their Eighth Session in 1953, again extended it, to July 1, 1955. During the review of the General Agreement at their Ninth Session, the Contracting Parties further extended the assured life of the tariff concessions by changing—to December 31, 1957—the date after which modifications in concessions might be made under article XXVIII without joint action by the Contracting Parties.[5]

A contracting party that desires to modify or withdraw a concession under the provisions of article XXVIII is first required to negotiate with the contracting party with which it originally negotiated the concession, and to consult with other parties that have a substantial interest in it. In such negotiations, provision may be made for compensatory concessions with respect to other products. If, in the negotiations, agreement cannot be reached between the parties concerned, the concession in question may nevertheless be modified or withdrawn. However, the country with which the concession was initially negotiated and the countries that have a substantial interest in it may thereupon themselves withdraw concessions substantially equivalent to those that were withdrawn from them.

Austria, Canada, Ceylon, Greece, and the Union of South Africa, simultaneously with the negotiations that they conducted with the United States, negotiated with certain other contracting parties to the General Agreement, looking toward the modification or withdrawal of certain concessions they had initially negotiated with those contracting parties. By June 30, 1958, the close of the period covered by this report, the article XXVIII negotiations by the five countries mentioned above had not been completed.

ACTIONS RELATING TO TRADE-AGREEMENT CONCESSIONS

Entry Into Force of Trade-Agreement Concessions

On June 29, 1958, the United States placed in effect the second stage of the tariff concessions on cigar tobacco that it granted to Cuba in the limited trade-agreement negotiations conducted with that country

[5] In 1955 at their 9th Session, the Contracting Parties also drafted an amendment to art. XXVIII that provides—except in special circumstances—for automatic extensions of the assured life of the tariff concessions for successive 3-year periods. The amended art. XXVIII became effective with respect to 25 contracting parties—including the United States—on Oct. 7, 1957, during the 12th Session.

under the General Agreement on Tariffs and Trade during the first half of 1957.[6]

On June 29, 1958, the United States placed in effect the second stage of the tariff concessions that it granted to the United Kingdom and Belgium in the limited trade-agreement negotiations with those countries under the General Agreement during the first half of 1957. The concessions, which were to compensate the United Kingdom and Belgium for the increase in 1956 by the United States of its rate of duty on certain linen toweling, consisted of reductions in the rates of duty on certain textile machinery, tracing cloth, certain waterproof cloth, certain cotton rugs, certain artists' canvas, and books by American authors.[7]

On June 30, 1958, the United States placed in effect the third and final stage of the tariff concessions that it granted in the 1956 multilateral tariff negotiations under the General Agreement at Geneva.[8] The United States granted these concessions in negotiations with the following 21 contracting parties to the General Agreement: Australia, Austria, Belgium, Canada, Chile, Cuba, Denmark, the Dominican Republic, Finland, France, the Federal Republic of Germany, Haiti, Italy, Japan, Luxembourg, the Netherlands, Norway, Peru, Sweden, Turkey, and the United Kingdom.

On June 30, 1958, the close of the period covered by this report, one country with which the United States concluded negotiations for tariff concessions under the General Agreement at Torquay—Korea—had not yet signed the Torquay Protocol. The United States, therefore, had not placed in effect the concessions that it initially negotiated with that country.

Withdrawal or Modification of Trade-Agreement Concessions

Spring clothespins

By Proclamation 3211 of November 9, 1957, effective after the close of business on December 9, 1957, the President withdrew the concession that the United States had granted on spring clothespins in the General Agreement on Tariffs and Trade. The concession was withdrawn under the provisions of article XIX of the General Agreement, after an escape-clause investigation by the United States Tariff Commission pursuant to section 7 of the Trade Agreements Extension Act of 1951, as amended.

---

[6] For a discussion of the concessions that the United States granted in these negotiations, see *Operation of the Trade Agreements Program* (10th report), pp. 64–65.

[7] For a discussion of the concessions that the United States granted in these negotiations, see ibid., pp. 65–67.

[8] For a discussion of the concessions that the United States granted in these negotiations, see ibid. (9th report), pp. 58–84.

As a result of the withdrawal of the concession, the rate of duty on spring clothespins was increased from 10 cents to 20 cents per gross.[9]

Safety pins

By Proclamation 3212 of November 29, 1957, effective after the close of business on December 30, 1957, the President modified the concession that the United States had granted on safety pins in the General Agreement on Tariffs and Trade. The concession was modified under the provisions of article XIX of the General Agreement, after an escape-clause investigation by the Tariff Commission pursuant to section 7 of the Trade Agreements Extension Act of 1951, as amended. As a result of the modification of the concession, the rate of duty on safety pins was increased from 22½ percent ad valorem to 35 percent ad valorem.[9]

Clinical thermometers

By Proclamation 3235 of April 21, 1958, effective after the close of business on May 21, 1958, the President withdrew the concession that the United States had granted on clinical thermometers in the General Agreement on Tariffs and Trade. The concession was withdrawn under the provisions of article XIX of the General Agreement, after an escape-clause investigation by the Tariff Commission pursuant to section 7 of the Trade Agreements Extension Act of 1951, as amended. The concession rate of duty on clinical thermometers was 42½ percent ad valorem. As a result of the withdrawal of the concession, the original rate of duty provided in the Tariff Act of 1930—85 percent ad valorem—again became applicable.[9]

Geneva wool-fabric quota

In a note attached to item 1108 of part I of the United States schedule of concessions in the General Agreement on Tariffs and Trade, the United States reserved the right to increase to 45 percent the ad valorem parts of the compound rates of duty applicable to any of the fabrics provided for in items 1108 or 1109(a), on any such fabrics that are entered in any calendar year in excess of an aggregate quantity (by weight) of 5 percent of the average annual production of similar fabrics in the United States during the three immediately preceding calendar years.

By Proclamation 3160 of September 28, 1956, the President invoked this so-called Geneva wool-fabric reservation and established, effective October 1, 1956, a tariff quota on imports of certain woolen and worsted fabrics. Under the proclamation, it is necessary for the President to inform the Secretary of the Treasury of the size of the quota for each year.

On May 24, 1957, the President informed the Secretary of the Treasury

[9] See the section of this chapter on activities under the escape clause of trade agreements.

that for the calendar year 1957 the tariff quota on woolen and worsted fabrics dutiable under tariff paragraphs 1108 and 1109(a) would be 14 million pounds. For the last 3 months of 1956, the tariff quota was established at 3.5 million pounds. Before the United States invoked the Geneva wool-fabric reservation, the rates of duty on the woolen and worsted fabrics covered by the reservation were 30 or 37½ cents per pound, depending on the nature of the fabric, plus 20 or 25 percent ad valorem, depending on the nature of the fabric. After the United States invoked the reservation, the rates of duty on imports of the specified woolen and worsted fabrics remained the same for a quantity up to 14 million pounds. Imports in excess of 14 million pounds became subject to an ad valorem duty of 45 percent; the specific parts of the compound duties were not changed.

The 1957 quota on certain woolen and worsted fabrics was filled on July 25, 1957, and on that date the ad valorem parts of the duties on them were increased as indicated above. Subsequently, it appeared that there had been sufficient experience under the quota to warrant appraisal of its effect and to consider suggestions regarding its future operation. On October 9, 1957, therefore, the interdepartmental Committee for Reciprocity Information issued notice that it would hold a public hearing, beginning December 9, 1957, to obtain information from all interested persons with respect to the operation of the wool-fabric tariff quota.

At the public hearing, which was held from December 9 to 12, 1957, various proposals with respect to the operation of the quota were advanced by the domestic woolen industry, clothing manufacturers, and importers. These proposals included suggestions for varying the duty, for applying the quota, and for computing separate "breakpoints" on a fabric-category or periodic basis.

On March 7, 1958, the President notified the Secretary of the Treasury that the 1958 tariff quota for woolen fabrics would be 14.2 million pounds. He also amended the proclamation of September 28, 1956, to provide that imports of certain handwoven and "religious" fabrics would be subject to an overquota rate of 30 percent ad valorem. Noting the many problems involved in administering the wool-fabric quota, the President requested the Trade Policy Committee to undertake an examination of alternatives to existing arrangements for applying the tariff on wool fabrics.

ACTIVITIES UNDER THE PERIL-POINT PROVISION

Sections 3 and 4 of the Trade Agreements Extension Act of 1951[11] set forth the statutory requirements for so-called peril-point determinations in connection with proposed trade-agreement negotiations. The peril-point provisions of the 1951 act require the President, before entering

[11] 65 Stat. 72.

into any trade-agreement negotiation, to transmit to the Tariff Commission a list of the commodities that are to be considered for concessions. The Commission is then required to conduct an investigation, including a public hearing, and to report its findings to the President on (1) the maximum decrease in duty, if any, that can be made on each listed commodity without causing or threatening serious injury to the domestic industry producing like or directly competitive products, or (2) the minimum increase in duty or additional import restrictions that may be necessary on any of the listed products in order to avoid serious injury or the threat of serious injury to such domestic industry.

The President may not conclude a trade agreement until the Commission has made its report to him, or until after the lapse of 120 days[12] from the date he transmits the list of products to the Commission. If the President concludes a trade agreement that provides for greater reductions in duty than the Commission specified in its report, or that fails to provide for the additional import restrictions specified, he must transmit to the Congress a copy of the trade agreement in question, identifying the articles concerned and stating his reasons for not carrying out the Commission's recommendations. Promptly thereafter, the Commission must deposit with the Senate Committee on Finance and the House Committee on Ways and Means a copy of the portions of its report to the President that deal with the articles with respect to which the President did not follow the Commission's recommendations.

During 1957–58 the Tariff Commission conducted no peril-point investigations under the provisions of section 3 of the Trade Agreements Extension Act of 1951, as amended. The trade-agreement negotiations that the United States engaged in during the period covered by this report consisted entirely of negotiations with countries that desired to modify or withdraw concessions in their own schedules of the General Agreement. Since the negotiations did not involve the granting of any concessions by the United States, there was no occasion for the Tariff Commission to make any peril-point determinations.

ACTIVITIES UNDER THE ESCAPE CLAUSE OF TRADE AGREEMENTS

Since 1943 all trade agreements that the United States has concluded under the Trade Agreements Act have included a safeguarding clause, commonly known as the standard escape clause. The clause provides, in essence, that either party to the agreement may withdraw or modify any concession made therein if, after a concession, imports of the particular commodity enter in such increased quantities, either actual or relative,

[12] The Trade Agreements Extension Act of 1958, which the President approved on Aug. 20, 1958, extended the time for completion of peril-point investigations to 6 months.

as to cause or threaten serious injury to the domestic industry producing like or directly competitive articles.

The Trade Agreements Extension Act of 1951 makes it mandatory for an escape clause to be included in all trade agreements that the United States concludes in the future, and, as soon as practicable, in all trade agreements currently in force. The clause must conform to the policy set forth in section 6(a) of the act. This section provides that no trade-agreement concession made by the United States shall be permitted to continue in effect when the product involved is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

During the period covered by this report, the procedure for administering the escape clause of trade agreements was prescribed by section 7 of the Trade Agreements Extension Act of 1951, as amended, by Executive Order 10401 of October 14, 1952, and by Executive Order 10741 of November 25, 1957.

Section 7 of the Trade Agreements Extension Act of 1951, as amended, provides that the Tariff Commission, upon the request of the President, upon resolution of either House of Congress, upon resolution of either the Senate Committee on Finance or the House Committee on Ways and Means, upon its own motion, or upon application by any interested party, must promptly conduct an escape-clause investigation. The Commission is to make a report thereon within 6 months of the date it receives the application. As a part of each investigation, the Commission generally holds a public hearing at which interested parties are afforded an opportunity to be heard. Section 7(a) of the Trade Agreements Extension Act of 1951, as amended, requires the Commission to hold such a hearing whenever it finds evidence of serious injury or threat of serious injury, or whenever so directed by resolution of either the Senate Committee on Finance or the House Committee on Ways and Means. In arriving at its findings and conclusions the Commission is required, without excluding other factors, to consider the following factors expressly set forth in section 7(b): A downward trend of production, employment, prices, profits, or wages in the domestic industry concerned, or a decline in sales, an increase in imports, either actual or relative to domestic production, a higher or growing inventory, or a decline in the proportion of the domestic market supplied by domestic producers.

Should the Commission find, as a result of its investigation and hearing, the existence or the threat of serious injury as a result of increased imports, it must recommend to the President, to the extent and for the time necessary to prevent or remedy such injury, the withdrawal or modification of the concession, or the suspension of the concession in whole or in part, or the establishment of an import quota. Thereupon, the Commission must immediately make public its findings and recommendations to the President, including any dissenting or separate findings and recommendations, and publish a summary thereof in the *Federal Register*. When, in the Commission's judgment, there is no sufficient reason to recommend to the President that a trade-agreement concession be modified or withdrawn, the Commission must make and publish a report stating its findings and conclusions.

Executive Order 10401, which is discussed fully in a later section of this chapter,[13] directs the Commission to review developments with respect to products on which the United States has modified or withdrawn trade-agreement concessions under the escape-clause procedure, and to make periodic reports to the President concerning such developments.

Applications for Investigations

On July 1, 1957, a total of 7 escape-clause investigations were pending before the Tariff Commission. During the ensuing 12 months, the Commission instituted 5 additional investigations.[14] Of a total of 12 escape-clause investigations that were pending before the Commission at one time or another during the period covered by this report, the Commission at the close of the period had completed 9 investigations;[15] the remaining 3 investigations were in process.

Escape-clause investigations pending before the United States Tariff Commission at one time or another during the period July 1, 1957–June 30, 1958

Commodity	Status
1. Safety pins (2d investigation)__ (Investigation No. 53; sec. 7)	*Origin of investigation:* Application by DeLong Hook & Eye Co., Philadelphia, Pa., and others. *Application received:* Apr. 30, 1956. *Investigation instituted:* May 10, 1956. *Hearing held:* Sept. 19–20, 1956. *Investigation completed:* Jan. 30, 1957. *Recommendation of the Commission:* Modification of concession. *Vote of the Commission:* 4–2. *Action of the President:* The President on Mar. 29, 1957, requested that the Commission supply additional information. *Supplemental report submitted to the President:* Sept. 30, 1957.

[13] See the section of this chapter on the review of escape-clause actions under Executive Order 10401.

[14] Between Apr. 20, 1948, when it received the first application for an escape-clause investigation, and June 30, 1958, the Commission accepted a total of 87 applications.

[15] See the section of this chapter on investigations completed.

Escape-clause investigations pending before the United States Tariff Commission at one time or another during the period July 1, 1957–June 30, 1958—Continued

Commodity	Status
1. Safety pins (2d investigation)—Continued	*Action of the President:* Concession modified by Presidential Proclamation 3212 of Nov. 29, 1957 (22 F.R. 9687), effective after the close of business on Dec. 30, 1957. *Reference:* U.S. Tariff Commission, *Safety Pins: Report to the President on Escape-Clause Investigation No. 53 . . .*, 1957 [processed]; *Safety Pins: Supplemental Report to the President on Escape-Clause Investigation No. 53 . . .*, 1957 [processed].
2. Spring clothespins (4th investigation). (Investigation No. 57; sec. 7)	*Origin of investigation:* Application by Clothespin Manufacturers of America, Washington, D.C., and others. *Application received:* Dec. 20, 1956. *Investigation instituted:* Jan. 2, 1957. *Hearing held:* May 7, 1957. *Investigation completed:* Sept. 10, 1957. *Recommendation of the Commission:* Modification of concession (establishment of an absolute quota). *Vote of the Commission:* 4–1. *Action of the President:* The President concurred with the Commission's finding of injury, but rejected the remedy it proposed. By Proclamation 3211 of Nov. 9, 1957 (22 F.R. 9043), effective after the close of business on Dec. 9, 1957, he withdrew the concession in its entirety. *Reference:* U.S. Tariff Commission, *Spring Clothespins: Report to the President on Escape-Clause Investigation No. 57 . . .*, 1957 [processed].
3. Bicycles (3d investigation) (Investigation No. 58; sec. 7)	*Origin of investigation:* Application by Bicycle Manufacturers Association of America, New York, N.Y. *Application received:* Jan. 11, 1957. *Investigation instituted:* Jan. 28, 1957. *Hearing held:* Apr. 9–11, 1957. *Investigation completed:* Aug. 19, 1957. *Recommendation of the Commission:* No modification of concession. *Vote of the Commission:* 6–0. *Reference:* U.S. Tariff Commission, *Bicycles: Report on Escape-Clause Investigation No. 58 . . .*, 1957 [processed].
4. Wool felts, nonwoven (Investigation No. 60; sec. 7)	*Origin of investigation:* Application by American Felt Co., Glenville, Conn., and others. *Application received:* Apr. 8, 1957. *Investigation instituted:* Apr. 12, 1957. *Hearing held:* July 23–25, 1957. *Investigation completed:* Jan. 6, 1958. *Recommendation of the Commission:* No modification of concession. *Vote of the Commission:* 5–0. *Reference:* U.S. Tariff Commission, *Nonwoven Wool Felts: Report on Escape-Clause Investigation No. 60 . . .*, 1958 [processed].
5. Stainless-steel table flatware (Investigation No. 61; sec. 7)	*Origin of investigation:* Application by Stainless Steel Flatware Manufacturers Association, Englishtown, N.J. *Application received:* Apr. 11, 1957. *Investigation instituted:* Apr. 18, 1957.

Escape-clause investigations pending before the United States Tariff Commission at one time or another during the period July 1, 1957–June 30, 1958—Continued

Commodity	Status
5. Stainless-steel table flatware —Continued	*Hearing held:* July 16–19, 1957. *Investigation completed:* Jan. 10, 1958. *Recommendation of the Commission:* Withdrawal of concessions. (Commissioners Brossard, Schreiber, and Sutton recommended withdrawal of the concessions on stainless-steel table flatware valued under $3.00 per dozen pieces. Commissioners Talbot, Jones, and Dowling recommended withdrawal of the concessions on stainless-steel table flatware regardless of value.) *Vote of the Commission:* 6–0. *Action of the President:* On Mar. 7, 1958, the President announced that, in view of Japan's voluntary limitation of exports to the United States, he was deferring action on the Commission's recommendation. He requested the Commission to keep the matter under review and to report to him as soon as practicable after Dec. 31, 1958. *Supplemental investigation instituted:* Mar. 19, 1958. *Hearing scheduled:* Not yet scheduled. *Investigation in process.* *Reference:* U.S. Tariff Commission, *Stainless-Steel Table Flatware: Report to the President on Escape-Clause Investigation No. 61 . . .*, 1958 [processed].
6. Umbrella frames (Investigation No. 62; sec. 7)	*Origin of investigation:* Application by Umbrella Frame Association of America, Inc., Philadelphia, Pa., and individual members thereof. *Application received:* Apr. 22, 1957. *Investigation instituted:* Apr. 25, 1957. *Hearing held:* July 30–31, 1957. *Investigation completed:* Jan. 14, 1958. *Recommendation of the Commission:* Withdrawal of concession. *Vote of the Commission:* 3–2. *Action of the President:* On Mar. 12, 1958, the President requested the Commission to submit a supplemental report on umbrella frames. *Supplemental investigation instituted:* Mar. 19, 1958. *Hearing held:* May 27, 1958. *Investigation in process.* *Reference:* U.S. Tariff Commission, *Umbrella Frames: Report to the President on Escape-Clause Investigation No. 62 . . .*, 1958 [processed].
7. Clinical thermometers (Investigation No. 63; sec. 7)	*Origin of investigation:* Application by American Clinical Thermometer Guild, Inc., New York, N.Y. *Application received:* May 23, 1957. *Investigation instituted:* May 29, 1957. *Hearing held:* Sept. 4–5, 1957. *Investigation completed:* Feb. 21, 1958. *Recommendation of the Commission:* Withdrawal of the concession. *Vote of the Commission:* 3–2. *Action of the President:* Concession withdrawn by Presidential Proclamation 3235 of Apr. 21, 1958 (23 F.R. 2721), effective after the close of business on May 21, 1958.

Escape-clause investigations pending before the United States Tariff Commission at one time or another during the period July 1, 1957–June 30, 1958—Continued

Commodity	Status
7. Clinical Thermometers—Cont.	*Reference:* U.S. Tariff Commission, *Clinical Thermometers, Finished or Unfinished: Report to the President on Escape-Clause Investigation No. 63 . . .*, 1958 [processed].
8. Garlic (2d investigation) (Investigation No. 64; sec. 7)	*Origin of investigation:* Application by California Garlic Growers Association, Gilroy, Calif. *Application received:* July 9, 1957. *Investigation instituted:* July 12, 1957. *Hearing held:* Dec. 3, 1957. *Investigation completed:* Feb. 19, 1958. *Recommendation of the Commission:* No modification of concession. *Vote of the Commission:* 5–0. *Reference:* U.S. Tariff Commission, *Garlic: Report on Escape-Clause Investigation No. 64 . . .*, 1958 [processed].
9. Lead and zinc (2d investigation). (Investigation No. 65; sec. 7)	*Origin of investigation:* Application by Emergency Lead-Zinc Committee, Washington, D.C. *Application received:* Sept. 27, 1957. *Investigation instituted:* Oct. 4, 1957. *Hearing held:* Nov. 19–26, 1957. *Investigation completed:* Apr. 24, 1958. *Recommendation of the Commission:* Modification of concessions. The Commission unanimously found that escape-clause relief was warranted with respect to unmanufactured lead and zinc. The Commissioners divided evenly on the remedy that was necessary, and each group of 3 issued a separate statement in support of its finding of serious injury and its recommendations for remedying that injury. Commissioners Brossard, Talbot, and Schreiber recommended the application of the maximum permissible rates of duty, as well as quantitative restrictions. Commissioners Sutton, Jones, and Dowling recommended the reimposition of the rates of duty originally imposed by the Tariff Act of 1930, but opposed quota limitations of any kind. *Vote of the Commission:* 6–0. *Action of the President:* On June 19, 1958, the President announced that he was suspending his consideration of the Commission's recommendations with respect to lead and zinc. A final decision would be appropriate, he stated, after the Congress completed its consideration of the Minerals Stabilization Plan presented with his approval by the Secretary of the Interior. *Reference:* U.S. Tariff Commission, *Lead and Zinc: Report to the President on Escape-Clause Investigation No. 65 . . .*, 1958 [processed].
10. Fine-mesh wire cloth (Investigation No. 66; sec. 7)	*Origin of investigation:* Application by 12 domestic producers. *Application received:* Jan. 20, 1958. *Investigation instituted:* Jan. 24, 1958. *Hearing held:* May 20–21, 1958. *Investigation in process.*

Escape-clause investigations pending before the United States Tariff Commission at one time or another during the period July 1, 1957–June 30, 1958—Continued

Commodity	Status
11. Certain machine-woven pile floor coverings. (Investigation No. 67; sec. 7)	*Origin of investigation:* Application by Carpet Institute, Inc., New York, N.Y. (name later changed to American Carpet Institute, Inc.). *Application received:* Jan. 22, 1958. (The application originally covered Wilton and velvet floor coverings classifiable under par. 1117(a) of the Tariff Act of 1930.) *Investigation instituted:* Jan. 29, 1958. *Application amended:* Apr. 15, 1958. (The amended application requested the Commission to extend the investigation to cover all floor coverings provided for in par. 1117(a) of the Tariff Act of 1930, except Axminster carpets, rugs, and mats, and carpets, rugs, and mats like in character or description to Axminsters.) *Amended application accepted by the Commission:* Apr. 16, 1958. *Hearing held:* June 10–13, 1958. *Investigation in process.*
12. Barium chloride (Investigation No. 68; sec. 7)	*Origin of investigation:* Application by Barium Reduction Corp., South Charleston, W. Va. *Application received:* Feb. 21, 1958. *Investigation instituted:* Mar. 3, 1958. *Hearing scheduled:* June 24, 1958; postponed to July 15, 1958. *Investigation in process.*

Investigations Completed

During the period covered by this report the Tariff Commission completed 9 escape-clause investigations. In 3 of the completed investigations—those of bicycles, nonwoven wool felts, and garlic—the Commission found that escape-clause relief was not warranted. In 6 of the completed investigations—those of safety pins, spring clothespins, stainless-steel table flatware, umbrella frames, clinical thermometers, and lead and zinc—the Commission found that escape-clause relief was warranted. The investigations that the Commission completed during the period covered by this report are discussed further below.

Safety pins (second investigation)

In response to an application by the DeLong Hook & Eye Co., of Philadelphia, Pa., and others, the Tariff Commission on May 10, 1956, instituted a second escape-clause investigation of safety pins provided for in paragraph 350 of the Tariff Act of 1930. The Commission held a public hearing on September 19 and 20, 1956.

In this investigation, a report on which was submitted to the President on January 30, 1957,[16] the Commission found (Commissioners Schreiber and Sutton dissenting) that escape-clause relief was warranted with respect to safety pins. The Commission also found that in order to prevent serious injury to the domestic industry concerned it was necessary that the duty on safety pins be increased to 35 percent ad valorem. Accordingly, the Commission recommended that the President modify the tariff concession that the United States had granted on safety pins in the General Agreement on Tariffs and Trade.

On March 29, 1957, the President asked the Commission to supply additional information on a number of points raised by its report on safety pins. The Commission transmitted its supplemental report to the President on September 30, 1957.[17] Since the supplemental report contained information that revealed the operations of individual companies, and since the Commission is not authorized to disclose such information to the public, only that part of the report which did not contain such information was released for general distribution.

On November 29, 1957, the President announced that he had accepted the Commission's recommendation with respect to safety pins. By Proclamation 3212 of that date, effective after the close of business on December 30, 1957, he modified the concession on such pins in the General Agreement on Tariffs and Trade with a resultant increase in the rate of duty from 22½ percent ad valorem to 35 percent ad valorem.

Spring clothespins (fourth investigation)

In response to an application by the Clothespin Manufacturers of America, of Washington, D. C., and others, the Tariff Commission on January 2, 1957, instituted an escape-clause investigation of spring clothespins provided for in paragraph 412 of the Tariff Act of 1930. The Commission held a public hearing on May 7, 1957.

The Commission submitted a report on its investigation of spring clothespins to the President on September 10, 1957.[18] In its report the Commission found (Commissioner Sutton dissenting) that escape-clause relief was warranted with respect to spring clothespins.[19] The Commission also found that in order to remedy the serious injury to the domestic industry concerned it was necessary, for an indefinite period, to limit the quantity of spring clothespins that might be entered, or withdrawn from warehouse, for consumption, to 650,000 gross a year.

---

[16] U.S. Tariff Commission, *Safety Pins*: *Report to the President on Escape-Clause Investigation No. 53 . . .*, 1957 [processed].

[17] U.S. Tariff Commission, *Safety Pins*: *Supplemental Report to the President on Escape-Clause Investigation No. 53 . . .*, 1957 [processed].

[18] U.S. Tariff Commission, *Spring Clothespins*: *Report to the President on Escape-Clause Investigation No. 57 . . .*, 1957 [processed].

[19] Commissioner Jones did not participate in the hearing and findings in this investigation.

On November 9, 1957, the President announced that he concurred with the finding of the majority of the Tariff Commission that the domestic spring-clothespin industry was entitled to relief under the terms of section 7 of the Trade Agreements Extension Act of 1951, as amended. He stated, however, that he did not find a sufficient justification for imposing the absolute quota that the majority of the Commission had recommended. Instead, by Proclamation 3211 of November 9, 1957, effective after the close of business on December 9, 1957, he withdrew the concession on such clothespins in the General Agreement on Tariffs and Trade, with a resultant increase in the rate of duty from 10 cents per gross to 20 cents per gross.

Bicycles (third investigation)

On January 28, 1957, in response to an application by the Bicycle Manufacturers Association of America, of New York, N. Y., the Tariff Commission instituted a third escape-clause investigation of bicycles provided for in paragraph 371 of the Tariff Act of 1930.[20] The Commission held a public hearing from April 9 to 11, 1957.

In this investigation, the report on which was issued on August 19, 1957,[21] the Commission unanimously found that further escape-clause relief was not warranted with respect to the specified bicycles and that, accordingly, no sufficient reason existed for a recommendation to the President under the provisions of section 7 of the Trade Agreements Extension Act of 1951, as amended.

Nonwoven wool felts

On April 12, 1957, in response to an application by the American Felt Co., of Glenville, Conn., and others, the Tariff Commission instituted an escape-clause investigation of felts, not woven, wholly or in chief value of wool, provided for in paragraph 1112 of the Tariff Act of 1930. The Commission held a public hearing from July 23 to 25, 1957.

The Commission issued a report on its investigation of nonwoven wool felts on January 6, 1958.[22] In its report the Commission unanimously found that escape-clause relief was not warranted with respect to the specified nonwoven wool felts and that, accordingly, no sufficient reason existed for a recommendation to the President under the provisions of section 7 of the Trade Agreements Extension Act of 1951, as amended.

---

[20] The Commission had previously, on Mar. 14, 1955, recommended escape-clause relief with respect to bicycles. The President accepted the Commission's recommendation in part, and on Aug. 18, 1955, modified the concession on bicycles.

[21] U.S. Tariff Commission, *Bicycles: Report on Escape-Clause Investigation No. 58 . . .*, 1957 [processed].

[22] U.S. Tariff Commission, *Nonwoven Wool Felts: Report on Escape-Clause Investigation No. 60 . . .*, 1958 [processed].

Stainless-steel table flatware

In response to an application by the Stainless Steel Flatware Manufacturers Association, of Englishtown, N. J., the Tariff Commission on April 18, 1957, instituted an escape-clause investigation of table knives, forks, and spoons, wholly of metal and in chief value of stainless steel, classifiable under paragraph 339 or paragraph 355 of the Tariff Act of 1930. The Commission held a public hearing from July 16 to 19, 1957.

In this investigation, a report on which was submitted to the President on January 10, 1958,[23] the Commission unanimously found that the specified stainless-steel table flatware was being imported into the United States in such increased quantities, both actual and relative, as to cause serious injury to the domestic industry producing like products. The six members of the Commission divided three to three with respect to the remedy that was necessary. Commissioners Brossard, Schreiber, and Sutton recommended the withdrawal of the concessions granted in the General Agreement on Tariffs and Trade on the specified stainless-steel table flatware valued under $3.00 per dozen pieces. Commissioners Talbot, Jones, and Dowling recommended the withdrawal of the concessions on such stainless-steel table flatware regardless of value.

On March 7, 1958, the President announced that, in view of Japan's voluntary limitation of exports of stainless-steel table flatware to the United States, he was deferring action on the Commission's recommendation. He had decided that a full evaluation of Japan's voluntary limitation of shipments to the United States was necessary since this voluntary limitation signifies an important reduction in the volume of imports. He therefore requested the Commission to keep the matter under review, and to report to him as soon as practicable after December 31, 1958, with particular reference to the experience of the domestic industry in 1958, during which Japan's limitation on exports to the United States will have been in effect.

For the purpose of carrying out the President's request, the Commission on March 19, 1958, instituted a supplemental investigation of the stainless-steel table flatware covered in its original escape-clause investigation. On June 30, 1958, the close of the period covered by this report, the supplemental investigation was in process, but the public hearing had not yet been scheduled.

Umbrella frames

On April 25, 1957, in response to an application by the Umbrella Frame Association of America, Inc., of Philadelphia, Pa., and individual members thereof, the Tariff Commission instituted an escape-clause investigation of umbrella and parasol ribs and stretchers, wholly or in chief

[23] U.S. Tariff Commission, *Stainless-Steel Table Flatware: Report to the President on Escape-Clause Investigation No. 61 . . .*, 1958 [processed].

value of metal, in frames or otherwise, and tubes for umbrellas, wholly or partly finished, provided for in paragraph 342 of the Tariff Act of 1930. The Commission held a public hearing on July 30 and 31, 1957.

The Commission submitted a report on its investigation of umbrella frames to the President on January 14, 1958.[24] In its report the Commission found (Commissioners Talbot and Jones dissenting) that escape-clause relief was warranted with respect to certain of the specified umbrella frames. The Commission also found that in order to remedy the serious injury to the domestic industry concerned it was necessary that the duty on such umbrella frames valued at $4 or less per dozen be increased from 30 percent ad valorem to 60 percent ad valorem.

On March 12, 1958, in identical letters to the chairmen of the House Committee on Ways and Means and the Senate Committee on Finance, the President noted some of the salient facts of the case and stated that although some clear interpretations could be drawn from the present record, the domestic producers and other parties should be given the opportunity to present further information before he made his final decision in this case, and that he was therefore requesting the Commission to submit to him a supplemental report, including data on the period ending March 31, 1958, and such other material as the Commissioners might deem appropriate.

For the purpose of carrying out the President's request, the Commission on March 19, 1958, instituted a supplemental investigation of the umbrella frames covered in its original escape-clause investigation. A public hearing in the supplemental investigation was held on May 27, 1958. On June 30, 1958, the close of the period covered by this report, the supplemental investigation was in process.

Clinical thermometers

In response to an application by the American Clinical Thermometer Guild, Inc., of New York, N. Y., the Tariff Commission on May 29, 1957, instituted an escape-clause investigation of clinical thermometers, finished or unfinished, classifiable under paragraph 218(a) of the Tariff Act of 1930. The Commission held a public hearing on September 4 and 5, 1957.

In this investigation, a report on which was submitted to the President on February 21, 1958,[25] the Commission found (Commissioners Dowling and Jones dissenting) that escape-clause relief was warranted with respect to clinical thermometers. The Commission also found that in order to remedy the serious injury to the domestic industry concerned it was necessary to withdraw the concession on such thermometers.

[24] U.S. Tariff Commission, *Umbrella Frames: Report to the President on Escape-Clause Investigation No. 62 . . .*, 1958 [processed].

[25] U.S. Tariff Commission, *Clinical Thermometers, Finished or Unfinished: Report to the President on Escape-Clause Investigation No. 63 . . .*, 1958 [processed].

On April 21, 1958, the President announced that he had accepted the Commission's recommendation with respect to clinical thermometers. By Proclamation 3235 of April 21, 1958, effective after the close of business on May 21, 1958, he withdrew the concession on such thermometers. The concession rate of duty on clinical thermometers was 42½ percent ad valorem. With the withdrawal of the concession, the original rate of duty provided in the Tariff Act of 1930—85 percent ad valorem—again became the effective rate.

Garlic (second investigation)

On July 12, 1957, in response to an application by the California Garlic Growers Association, of Gilroy, Calif., the Tariff Commission instituted a second escape-clause investigation of garlic, provided for in paragraph 770 of the Tariff Act of 1930. The Commission held a public hearing on December 3, 1957.

The Commission issued a report on its investigation of garlic on February 19, 1958.[26] In its report the Commission unanimously found that escape-clause relief was not warranted with respect to garlic, and that therefore no sufficient reason existed for a recommendation to the President under section 7 of the Trade Agreements Extension Act of 1951, as amended.

Lead and zinc (second investigation)

In response to an application by the Emergency Lead-Zinc Committee, of Washington, D.C., the Tariff Commission on October 4, 1957, instituted an escape-clause investigation of the articles provided for in paragraphs 391, 392 (except Babbitt metal, solder, lead in sheets, pipe, shot, glaziers' lead, and lead wire), 393, and 394 (except zinc dust and zinc in sheets) of the Tariff Act of 1930. The Commission held a public hearing from November 19 to 26, 1957.

In this investigation, a report on which was submitted to the President on April 24, 1958,[27] the Commission unanimously found that escape-clause relief was warranted with respect to unmanufactured lead and zinc. The six members of the Commission divided evenly on the remedy that is necessary, and each group of three issued a separate statement in support of its finding of serious injury and its recommendations for remedying that injury.

Commissioners Brossard, Talbot, and Schreiber recommended the application of the maximum permissible rates of duty, as well as quantitative restrictions, on imports of unmanufactured lead and zinc. The increased duties they recommended are as follows: On lead-bearing ores, 1⅘ cents

[26] U.S. Tariff Commission, *Garlic: Report on Escape-Clause Investigation No. 64 . . .*, 1958 [processed].

[27] U.S. Tariff Commission, *Lead and Zinc: Report to the President on Escape-Clause Investigation No. 65 . . .*, 1958 [processed].

per pound on the lead content; on lead pigs and bars, $2\frac{11}{20}$ cents per pound on the lead content; on zinc-bearing ores, $1\frac{4}{5}$ cents per pound on the zinc content; and on zinc blocks, pigs, or slabs, $2\frac{1}{10}$ cents per pound. The annual quota limitation they recommended for unmanufactured lead is 221,700 short tons (of lead content), and for unmanufactured zinc is 325,600 short tons (zinc content of ores and gross weight of imports of unmanufactured zinc in other forms). The quantitative restrictions would not apply to imports for Government stockpiles or to duty-free imports for export after being smelted and refined.

Commissioners Sutton, Jones, and Dowling recommended the reimposition of the rates of duty originally imposed by the Tariff Act of 1930, but they opposed quota limitations of any kind. The increased duties that they recommended are as follows: On lead-bearing ores, $1\frac{1}{2}$ cents per pound on the lead content; on lead pigs and bars, $2\frac{1}{8}$ cents per pound on the lead content; on zinc-bearing ores, $1\frac{1}{2}$ cents per pound on the zinc content; and on zinc blocks, pigs, or slabs, $1\frac{3}{4}$ cents per pound.

On June 19, 1958, in identical letters to the chairmen of the House Committee on Ways and Means and the Senate Committee on Finance, the President announced that he was suspending his consideration of the Tariff Commission's recommendations in the escape-clause case involving lead and zinc. A final decision would be appropriate, the President said, after the Congress completed its consideration of the Minerals Stabilization Plan presented with his approval by the Sectretary of the Interior. He stated that early action by the Congress on this plan, which offers a more effective approach to the problems of the lead and zinc industries, would help assure a healthy and vigorous minerals industry in the United States.

Review of Escape-Clause Actions Under Executive Order 10401

The standard escape clause and section 7(a) of the Trade Agreements Extension Act of 1951, as amended, contemplate that any escape-clause action that the President takes with respect to a particular commodity will remain in effect only "for the time necessary to prevent or remedy" the injury. By Executive Order 10401 of October 14, 1952, the President established a formal procedure for reviewing escape-clause actions. Paragraph 1 of that order directs the Tariff Commission to keep under review developments with regard to products on which trade-agreement concessions have been modified or withdrawn under the escape-clause procedure, and to make periodic reports to the President concerning such developments. The Commission is to make the first such report in each case not more than 2 years after the original action, and thereafter at intervals of 1 year as long as the concession remains modified or withdrawn in whole or in part.

Paragraph 2 of Executive Order 10401 provides that the Commission is to institute a formal investigation in any case whenever, in the Commission's judgment, changed conditions warrant it, or upon the request of the President, to determine whether, and, if so, to what extent, the escape-clause action needs to be continued in order to prevent or remedy serious injury or the threat thereof to the domestic industry concerned. Upon completing such an investigation, including a public hearing, the Commission is to report its findings to the President.

During the period covered by this report, the Tariff Commission reported to the President, under the provisions of Executive Order 10401, on developments with respect to watch movements, bicycles, dried figs, and hatters' fur.

Watch movements

Effective at the close of business July 27, 1954, after an escape-clause investigation and report by the Tariff Commission, the President modified the concession that the United States had granted on watch movements in the bilateral trade agreement with Switzerland, increasing the import duties on such watch movements.

As required by paragraph 1 of Executive Order 10401, the Commission on July 25, 1957, submitted to the President its second periodic report on the watch movements involved in the escape action. In its report,[28] the Commission unanimously concluded that the conditions of competition with respect to imported and domestic watch movements had not so changed since the modification of the trade-agreement concession on July 27, 1954, as to warrant the institution of a formal investigation under the provisions of paragraph 2 of Executive Order 10401. On October 4, 1957, the President concurred with the Commission's conclusion.

Bicycles

Effective after the close of business August 18, 1955, after an escape-clause investigation and report by the Tariff Commission, the President modified the concession that the United States had granted on bicycles in the General Agreement on Tariffs and Trade, and increased the import duties on such bicycles.

As required by paragraph 1 of Executive Order 10401, the Commission on August 19, 1957, submitted to the President its first periodic report on developments with respect to the bicycles involved in the escape action.[29] The Commission reported to the President concurrently with the release of the report on its third escape-clause investigation of bicycles. In its letter to the President, the Commission unanimously concluded that the developments in the trade in bicycles that had transpired since the issu-

[28] U.S. Tariff Commission, *Watch Movements: Report to the President (1957) Under Executive Order 10401*, 1957 [processed].

[29] Letter from the Chairman of the U.S. Tariff Commission to the President. (See also U.S. Tariff Commission, *Bicycles: Report on Escape-Clause Investigation No. 58 . . .*, 1957 [processed].)

ance of the proclamation of August 18, 1955, did not indicate such a change in the competitive situation as to warrant institution of a formal investigation under the provisions of paragraph 2 of Executive Order 10401. On October 11, 1957, the President concurred with the Commission's conclusion.

Dried figs

Effective at the close of business August 29, 1952, after an escape-clause investigation and report by the Tariff Commission, the President modified the concession that the United States had granted on dried figs in the General Agreement on Tariffs and Trade, and increased the import duty on such figs from 2½ cents to 4½ cents per pound.

Pursuant to paragraph 1 of Executive Order 10401, the Chairman of the Tariff Commission on September 17, 1957, advised the President that the Commission was unanimously of the view that developments in the trade in dried figs since August 30, 1956, did not indicate such a change as to warrant the institution of a formal investigation under paragraph 2 of Executive Order 10401.[30] On October 24, 1957, the President concurred with the Commission's conclusion.

Hatters' fur

Effective after the close of business February 8, 1952, after an escape-clause investigation and report by the Tariff Commission, the President modified the concession that the United States had granted in the General Agreement on Tariffs and Trade on hatters' fur, and imposed on that product a duty of 47½ cents per pound, but not less than 15 percent nor more than 35 percent ad valorem.

On January 24, 1958, the Tariff Commission, on its own motion, instituted an investigation for the purposes of paragraph 2 of Executive Order 10401 to determine whether, and if so, to what extent, the modification by Presidential Proclamation 2960 of January 5, 1952, of the concession on hatters' fur granted in the General Agreement on Tariffs and Trade was any longer necessary in order to prevent or remedy serious injury or the threat thereof to the domestic industry producing like or directly competitive products.

In its report to the President on June 26, 1958,[31] the Commission unanimously found that continuation of the increased duty on hatters' fur was no longer necessary to prevent serious injury or the threat thereof. Accordingly, the Commission recommended to the President that the original concession granted in the General Agreement be restored in full. The duty in

[30] Letter from the Chairman of the U.S. Tariff Commission to the President. (See also U. S. Tariff Commission, *Dried Figs and Fig Paste: Report to the President on Investigation No. 18 Under Section 22 of the Agricultural Adjustment Act, as Amended*, 1957 [processed].)

[31] U.S. Tariff Commission, *Hatters' Fur: Report to the President on Investigation No. 2 Under Paragraph 2 of Executive Order 10401*, 1958 [processed].

effect before the escape-clause action was the trade-agreement rate of 15 percent ad valorem.

By June 30, 1958, the close of the period covered by this report, the President had not yet acted on the Commission's recommendation with respect to hatters' fur.

ACTIVITIES UNDER THE NATIONAL SECURITY PROVISION

Section 2(b) of Public Law 464, 83d Congress, as amended by section 7 of the Trade Agreements Extension Act of 1955, provides that whenever the Director of the Office of Defense Mobilization (ODM) has reason to believe that any article is being imported into the United States in such quantities as to threaten to impair the national security, he shall so advise the President. If the President agrees that there is reason for such belief, he shall cause an immediate investigation to be made to determine the facts. If, on the basis of such investigation and of findings and recommendations made in connection therewith, the President finds that the article is being imported in such quantities as to threaten to impair the national security, he shall take such action as he deems necessary to adjust the imports of such article to a level that will not threaten to impair the national security.

Between June 21, 1955, the date that the President approved the Trade Agreements Extension Act of 1955, and June 30, 1958, the end of the period covered by this report, the ODM received a total of 15 requests for investigation under section 7 of the extension act of 1955. Of these petitions, 4 (those on cordage; jeweled watches; wool textiles; and clocks, pin-lever-watches, and timers) had been denied by the ODM, and 3 (those on stencil silk, photographic shutters, and dental burs) had been withdrawn. One request (that on oil) had been certified to the President. On June 30, 1958, therefore, a total of 7 requests for investigation under the provisions of section 7 of the Trade Agreements Extension Act of 1955 were pending before the Office of Defense Mobilization. Consideration of 5 of these requests (those on clinical fever thermometers, analytical balances, wool felt, wooden boats, and fine-mesh wire cloth) had been postponed at the petitioner's request. The investigation of 1 request (that of heavy electric power equipment) was in process.

The nature and status of the individual requests for investigation that the ODM received through June 30, 1958, are shown in the accompanying list.

Status of requests for investigation presented to the Office of Defense Mobilization[1] *between June 21, 1955, and June 30, 1958*

Commodity	Status
1. Fluorspar	*Petitioner:* Committee representing American Fluorspar Producers, Elizabethtown, Ill. *Request filed:* June 21, 1955. *Hearing scheduled:* Nov. 12, 1956. *Hearing postponed at request of petitioner:* Nov. 1, 1956.
2. Cordage (hard fiber cordage and twine).	*Petitioner:* Cordage Institute, New York, N.Y. *Request filed:* July 12, 1955. *Hearing held:* Sept. 11–12, 1956. *Petition denied:* Mar. 7, 1957. *Decision appealed:* July 1, 1957. *Restudy ordered:* Aug. 20, 1957. *Petition denied:* May 6, 1958.
3. Stencil silk	*Petitioner:* Albert Godde Bedin, Inc., New York, N.Y. *Request filed:* Nov. 2, 1955. *Request withdrawn:* Apr. 5, 1956.
4. Watches, jeweled	*Petitioner:* American Watch Manufacturers Association, Inc., Washington, D.C. *Request filed:* Dec. 29, 1955. *Hearing held:* Jan. 7 and 9, 1957. *Petition denied:* Feb. 28, 1958.
5. Thermometers, clinical fever	*Petitioner:* American Clinical Thermometer Guild, New York, N.Y. *Request filed:* Jan. 13, 1956. *Restudy by petitioner:* July 24, 1956. *Consideration postponed at request of petitioner:* July 2, 1957.
6. Analytical balances	*Petitioner:* Scientific Apparatus Makers Association Chicago, Ill. *Request filed:* Feb. 6, 1956. *Restudy by petitioner:* July 27, 1956. *Consideration postponed at request of petitioner:* May 24, 1957.
7. Photographic shutters	*Petitioner:* Wollensak Optical Co., Rochester, N.Y. *Request filed:* Feb. 24, 1956. *Request withdrawn:* Apr. 17, 1956.
8. Wool textiles	*Petitioner:* National Association of Wool Manufacturers, New York, N.Y. *Request filed:* Mar. 14, 1956. *Hearing held:* June 3–4, 1957. *Petition denied:* Jan. 6, 1958.
9. Clocks, pin-lever-watches, and timers.	*Petitioner:* Clock and Watch Manufacturers Association of America, Inc., Washington, D.C. *Request filed:* Apr. 18, 1956. *Hearing held:* Jan. 7–9, 1957. *Petition denied:* Feb. 28, 1958.
10. Wool felt	*Petitioner:* The Felt Association, New York, N.Y. *Request filed:* Apr. 20, 1956. *Consideration postponed at request of petitioner:* May 27, 1957.
11. Oil	*Petitioner:* Independent Petroleum Association of America, Washington, D.C. *Request filed:* Aug. 7, 1956. *Hearing held:* Oct. 22 and 24, 1956. *Case certified to the President:* Apr. 23, 1957.
12. Wooden boats	*Petitioner:* American Boat Builders & Repairers Association, Inc., New York, N.Y. *Request filed:* Sept. 14, 1956.

[1] Now the Office of Civil and Defense Mobilization.

Status of requests for investigation presented to the Office of Defense Mobilization[1] *between June 21, 1955, and June 30, 1958*—Con.

Commodity	Status
12. Wooden boats—Con.	*Petition to be revised by petitioner:* Dec. 4, 1956. *Consideration postponed at request of petitioner:* Jan. 7, 1958.
13. Fine-mesh wire cloth	*Petitioner:* The Industrial Wire Cloth Institute, New York, N.Y. *Request filed:* May 6, 1957. *Consideration postponed at request of petitioner:* Feb. 14, 1958.
14. Dental burs	*Petitioner:* American Dental Trade Association, Washington, D.C. *Request filed:* May 22, 1957. *Request withdrawn:* Aug. 28, 1957. *Request refiled:* May 12, 1958.
15. Heavy electric power equipment.	*Petitioners:* General Electric Co., Schenectady, N.Y., and National Electrical Manufacturers Association, New York, N.Y. *Request filed:* Mar. 7, 1958. *Investigation in process.*

[1] Now the Office of Civil and Defense Mobilization.

QUANTITATIVE RESTRICTIONS ON IMPORTS INTO THE UNITED STATES

During all or part of the last 6 months of 1957 and the first 6 months of 1958 the United States applied quantitative restrictions to imports of the following commodities: (1) Certain cotton and cotton waste; wheat and wheat flour; certain dairy products; butter substitutes containing 45 percent or more of butterfat; almonds; peanuts; tung oil and tung nuts; certain articles containing butterfat; and rye, rye flour, and rye meal—under section 22 of the Agricultural Adjustment Act, as amended, to prevent imports from interfering with domestic programs affecting the production or marketing of those commodities; (2) sugar, under the sugar act, to control the quantity of sugar supplied from both foreign and domestic sources; and (3) sugar, cordage, cigars, cigar filler and scrap tobacco, coconut oil, and buttons of pearl or shell imported from the Republic of the Philippines, as part of a program to gradually eliminate the United States preferential customs treatment accorded Philippine products entering the United States. These restrictions are discussed in detail in the following sections of this chapter.

Under various legislative acts, the United States also prohibits or restricts imports of a wide range of other articles to protect public morals; to protect human, animal, or plant life or health; to control the importation of gold or silver; to facilitate customs enforcement; to protect patents, trademarks, and copyrights; to prevent deceptive practices, misrepresentations, and unfair competition; and to prevent importation of the products of forced labor. These prohibitions and restrictions were discussed in some detail in the Commission's fourth report on the operation of the trade agreements program.[32]

Restrictions Under Section 22 of the Agricultural Adjustment Act

During all or part of the period July 1, 1957, to June 30, 1958, the United States applied quantitative restrictions (quotas[33] or embargoes) on the importation of certain cotton and cotton waste; wheat and wheat flour; certain dairy products; butter substitutes containing 45 percent or more of butterfat; almonds; peanuts; peanut oil; tung oil and tung nuts; certain articles containing butterfat; and rye, rye flour, and rye meal—under the provisions of section 22 of the Agricultural Adjustment Act, as amended.[34] During this period the United States also imposed, under the provisions of section 22, fees on the importation of flaxseed, linseed oil, and peanut oil; these fees were in addition to the regular import duties levied on those products.

Section 22 of the Agricultural Adjustment Act, as amended, authorizes the President to restrict the importation of commodities, by the imposition either of fees or of quotas (within specified limits), whenever such imports render or tend to render ineffective, or materially interfere with, programs of the United States Department of Agriculture relating to agricultural commodities. Section 22 requires the Tariff Commission, on direction of the President, to conduct an investigation, including a public hearing, and to make a report and recommendations to the President. Under subsection (f), as amended by section 8(b) of the Trade Agreements Extension Act of 1951, no trade agreement or other international agreement entered into at any time by the United States may be applied in a manner inconsistent with the requirements of section 22.

Section 8(a) of the Trade Agreements Extension Act of 1951, as amended, establishes special procedures for invoking section 22 in emergency conditions due to the perishability of any agricultural commodity. When the Secretary of Agriculture reports to the President and to the Tariff Commission that such emergency conditions exist with respect to any agricultural commodity, the Tariff Commission must make an immediate investigation under section 22 (or sec. 7 of the Trade Agreements Extension Act of 1951), and make appropriate recommendations to the President. The Commission's report to the President and the President's

[32] Ch. 7.

[33] This discussion, as well as the following discussion on restrictions under the sugar act, relates only to quotas that limit the total quantity of imports. Such "absolute" quotas are to be distinguished from "tariff" quotas established for a number of individual articles in various trade agreements. Under tariff quotas, specified quantities of the articles may enter the United States at the ordinary rates of duty; imports in excess of the quota are subject to higher rates of duty but may be entered in unlimited quantities.

[34] 49 Stat. 750; 62 Stat. 1247; 64 Stat. 261; 7 U.S.C. 624.

decision must be made not more than 25 calendar days after the case is submitted to the Commission. Should the President deem it necessary, however, he may take action without awaiting the recommendations of the Commission.

An amendment to section 22 of the Agricultural Adjustment Act by section 104 of the Trade Agreements Extension Act of 1953[35] provides that the President may take immediate action under section 22 without awaiting the Tariff Commission's recommendations whenever the Secretary of Agriculture determines and reports to him, with regard to any article or articles, that a condition exists requiring emergency treatment. Such action by the President may continue in effect pending his receipt of the report and recommendations of the Commission after an investigation under section 22, and his action thereon. Under section 8(a) of the extension act of 1951, the President's authority to take action before he had received a report from the Commission was limited to perishable agricultural products. No President thus far has ever taken action under either of the foregoing emergency provisions.

Cotton and cotton waste (continuing investigation)

Since 1939, under the provisions of section 22 and in accordance with recommendations of the Tariff Commission, the United States has restricted imports of most types of cotton and some types of cotton waste. During the period 1939–51 the Commission conducted a number of investigations to determine whether future restrictions were required on any type (such as short harsh or rough cotton), whether supplemental import quotas were necessary for certain types of long-staple cotton, or whether certain minor changes were advisable to facilitate administration of any of the quotas applicable to the various types. From 1952 through 1956 the Commission conducted no investigations relating to either short-staple cotton, long-staple cotton, or cotton waste, but it continued to watch the developments with respect to those products.

Short harsh cotton (*supplemental investigation*).—On August 23, 1957, the Tariff Commission instituted an investigation of harsh or rough cotton having a staple of less than three-fourths of 1 inch in length, under the provisions of section 22. Such cotton was subjected to an annual absolute import quota of 70 million pounds by Presidential Proclamation 2715, dated February 1, 1947, after an investigation by the Tariff Commission under the provisions of section 22. In the proclamation the President found that the imposition of this annual quota was then necessary to protect cotton programs of the United States Department of Agriculture. The purpose of the 1957 supplemental investigation was to determine whether there was in fact need for continuing the quota restrictions on the short

[35] 67 Stat. 472.

harsh cotton described above. The Commission held a public hearing in the investigation on November 13, 1957.

The Commission reported the results of its investigation to the President on December 23, 1957.[36] On the basis of its investigation, the Commission unanimously found that the circumstances requiring the import quota of 70 million pounds per year on harsh or rough cotton having a staple of less than three-fourths of 1 inch in length, established by Presidential Proclamation 2715 of February 1, 1947, had ceased to exist. The Commission, therefore, recommended to the President that he terminate the quota.

On January 28, 1958, the President announced that he had accepted the Commission's recommendation with respect to short harsh cotton. By Proclamation 3220 of the same date, the President terminated the quota on such cotton, effective immediately.

Extra-long-staple cotton (supplemental investigation).—On January 29, 1958, the Tariff Commission instituted a supplemental investigation of cotton having a staple of 1⅜ inches or more in length, under the provisions of section 22. Cotton having a staple of 1⅛ inches or more in length was subjected to an annual absolute quota of 45,656,420 pounds by Presidential Proclamation 2351 of September 5, 1939, effective September 20, 1939, after an investigation under section 22 by the Tariff Commission. The quota year begins on August 1 of each year. The Commission was informed that the quota for the year ending July 31, 1958, had been filled as of December 30, 1957. It was further informed that, because of unusual circumstances, a substantial part of the quota for that year was filled by cotton of a staple length which normally has not entered under this quota, with resultant hardship to importers normally entering cotton of a greater staple length, thus threatening domestic users of foreign extra-long-staple cotton with a short supply. The purpose of the 1958 supplemental investigation was to determine whether the admission during the quota year ending July 31, 1958, of an additional quantity of cotton having a staple of 1⅜ inches or more in length might be permitted without materially interfering with the cotton programs of the United States Department of Agriculture. The Commission scheduled a public hearing in the investigation for April 8, 1958.

Interested parties who had sought the modification of the existing quota regulations on imports of long-staple cotton, to permit the entry of an additional quantity of extra-long-staple cotton during the quota year ending July 31, 1958, subsequently withdrew their request. Accordingly, the Commission on April 4, 1958, dismissed the supplemental investigation and canceled the scheduled hearing.

Long-staple cotton (supplemental investigation).—On April 8, 1958, at the direction of the President, the Tariff Commission instituted a supple-

[36] U.S. Tariff Commission, *Short Harsh Cotton: Report to the President on Investigation Supplemental to Investigation No. 1 Under Section 22 . . .*, 1957 [processed].

mental investigation of cotton having a staple of 1⅛ inches or more in length, under the provisions of section 22. The purpose of the investigation was to determine whether changed circumstances required the modification of the quota established for such cotton pursuant to section 22.

Annual absolute quotas on imports of cotton having a staple of 1⅛ inches or more in length were originally made effective on September 20, 1939, by Presidential Proclamation 2351 of September 5, 1939. Imports of this cotton are restricted by an annual global quota of 45,656,420 pounds; the quota year begins on August 1 of each year. The "changed circumstances" referred to by the President in his letter of April 7, 1958, were the entry within the quota of large and increasing quantities of Mexican Upland cotton having staple lengths of less than 1⅜ inches. This resulted in the exclusion of substantial quantities of cotton having a staple length of 1⅜ inches or more. The Commission held a public hearing in the investigation on May 13, 1958.

The Commission reported the results of its investigation to the President on June 20, 1958.[37] On the basis of its investigation, the Commission unanimously found[38] that changed circumstances required the further modification of Presidential Proclamation 2351 of September 5, 1939, as modified, in order to carry out the purposes of section 22.

The Commission recommended (Commissioners Schreiber and Sutton dissenting) that the President's proclamation of September 5, 1939, as modified, be further modified so that of the total quantity of 45,656,420 pounds of cotton having a staple of 1⅛ inches or more in length that may be entered, or withdrawn from warehouse, for consumption during the year beginning August 1, 1958, and any subsequent year beginning August 1, not more than 39,590,778 pounds shall consist of cotton having a staple of 1⅜ inches or more in length, and not more than 6,065,642 pounds shall consist of cotton having a staple of 1⅛ inches or more but less than 1⅜ inches in length: *Provided*, That of such 6,065,642 pounds, not more than 1,500,000 pounds shall consist of harsh or rough cotton (except cotton of perished staple, grabbots, and cotton pickings) white in color and having a staple of 1$\frac{5}{32}$ inches or more in length (Tanguis cotton), and not more than 4,565,642 pounds shall consist of other cotton.

Commissioners Schreiber and Sutton concurred with the finding of the majority of the Commission that changed circumstances required the modification of the quota on long-staple cotton, but were of the view that long-staple cotton was being and was practically certain to continue to be imported under such conditions and in such quantities as to materially interfere with the price-support program for that commodity undertaken

[37] U.S. Tariff Commission, *Long-Staple Cotton: Report to the President on Investigation Supplemental to Investigation No. 1 Under Section 22 . . .*, 1958 [processed].

[38] Commissioner Jones did not participate in the decision in this supplemental investigation or in the preparation of the report on it.

by the Department of Agriculture. They, therefore, recommended that the overall quota be reduced to 24,000,000 pounds, which is not less than 50 percent of the imports for consumption of long-staple cotton during the representative period—the crop years 1934/35 through 1938/39. They further recommended that the reduced quota be allocated to foreign supplying countries as follows: Egypt, 18,948,000 pounds; Peru, 3,979,200 pounds, of which not more than 1,500,000 pounds shall consist of harsh or rough cotton (except cotton of perished staple, grabbots, and cotton pickings), white in color and having a staple of $1\frac{5}{32}$ inches or more but less than $1\frac{3}{8}$ inches in length (Tanguis cotton), and not more than 2,479,200 pounds shall consist of other cotton; the Sudan, 724,800 pounds; Mexico, 309,600 pounds; the British West Indies, 19,200 pounds; and all other foreign countries, 19,200 pounds.

By June 30, 1958, the close of the period covered by this report, the President had not yet acted on the Commission's recommendations with respect to long-staple cotton.

Wheat and wheat flour (continuing investigation)

Since 1941, under the provisions of section 22 and in accordance with recommendations of the Tariff Commission, the United States has restricted imports of wheat and wheat flour, semolina, crushed or cracked wheat, and similar wheat products, in order to prevent interference with programs of the Department of Agriculture to control the production or marketing of domestic wheat. Imports in any quota year are limited to 800,000 bushels of wheat and to 4 million pounds of wheat flour, semolina, and similar wheat products. The quotas are allocated by country; in general, they are in proportion to imports from the several countries in the 12-year period 1929–40. Since their adoption in 1941 the basic quotas have not been changed, but exceptions have been made for distress shipments, seed wheat, wheat for experimental purposes, and wheat imported during World War II by the War Food Administrator (virtually all of which was used for animal feed). Although the Commission has not completed any investigations relating to wheat, wheat flour, and other wheat products since 1943,[39] it has continued to watch developments with respect to those products.

Tung oil

At the direction of the President, the Tariff Commission on March 22, 1957, instituted an investigation of tung oil, under the provisions of section 22. The Commission held a public hearing on May 2 and 3, 1957.

The Commission reported the results of its investigation to the President

[39] Early in 1955 the Commission—at the applicant's request—discontinued and dismissed an investigation of durum wheat (class II) or flour, including semolina, produced from such wheat.

on May 31, 1957.[40] On the basis of its investigation, the Commission unanimously found that tung oil was being and was practically certain to continue to be imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program for tung nuts and tung oil undertaken by the Department of Agriculture pursuant to section 201 of the Agricultural Act of 1949, as amended, and to reduce substantially the amount of products processed in the United States from domestically produced tung nuts and tung oil. To prevent such interference, the Commission recommended to the President that, for an indefinite period, an import fee of 3 cents per pound but not more than 50 percent ad valorem be imposed on imports of tung oil.

On September 9, 1957, by Proclamation 3200,[41] the President restricted imports of tung oil for the remainder of the crop year ending October 31, 1957, and for the 3 crop years ending October 31 of 1958, 1959, and 1960. In taking this action, the President accepted the unanimous finding of the Tariff Commission that imports were interfering with the price-support program for tung oil. However, instead of imposing the 3-cents-per-pound import fee that the Tariff Commission recommended, the President decided upon a quota restriction. The proclamation established 3 annual quotas of 26,000,000 pounds each. The period covered by the first quota, however, included the remainder of the then current crop year, as well as the crop year beginning November 1, 1957. For the first quota period, the proclamation provided for imports not exceeding a monthly rate of 1,154,000 pounds through January 1958. For the second and third crop years, not more than one-fourth of the annual quotas may be imported during the first quarter of each year. Of the annual quotas of 26,000,000 pounds, not more than 22,100,000 pounds may be imported from Argentina, not more than 2,964,000 pounds, from Paraguay, and not more than 936,000 pounds, from other countries.

Certain articles containing butterfat

On May 21, 1957, at the direction of the President, the Tariff Commission instituted an investigation of certain articles containing butterfat,[42]

[40] U.S. Tariff Commission, *Tung Oil: Report to the President on Investigation No. 15 Under Section 22 . . .*, 1957 [processed].

[41] 3 CFR, 1957 Supp., 43.

[42] The articles included in the investigation were articles containing butterfat, the butterfat content of which is commercially extractable, or which are capable of being used for any edible purpose for which products containing butterfat are used, but not including the following: (1) Articles the importation of which is restricted under quotas established pursuant to sec. 22 of the Agricultural Adjustment Act, as amended; (2) cheeses the importation of which is not restricted by quotas established pursuant to sec. 22; (3) evaporated milk and condensed milk; and (4) products imported packaged for distribution in the retail trade and ready for use by the purchaser at retail for an edible purpose or in the preparation of an edible article.

under the provisions of section 22. The Commission held a public hearing on June 11, 1957.

The Commission reported the results of its investigation to the President on July 2, 1957.[43] On the basis of its investigation, the Commission found that certain articles containing 45 percent or more of butterfat or of butterfat and other fat or oil were being or were practically certain to be imported under such conditions and in such quantities as to materially interfere with the price-support program undertaken by the Department of Agriculture with respect to whole milk and butterfat, and to reduce substantially the amount of products processed in the United States from domestic milk and butterfat. To prevent such interference, the Commission recommended to the President (Commissioners Talbot and Dowling dissenting) that imports of such products be prohibited.

By Proclamation 3193 of August 7, 1957,[44] effective immediately, the President—as recommended by the Commission—prohibited further imports of articles containing 45 percent or more of butterfat, except articles already subject to quota under the provisions of section 22, cheeses, evaporated and condensed milk, and products imported in retail packages.

Almonds

At the direction of the President, the Tariff Commission on June 28, 1957, instituted an investigation of shelled almonds and blanched, roasted, or otherwise prepared or preserved almonds, under the provisions of section 22. The Commission held a public hearing on August 8 and 9, 1957.

The Commission reported the results of its investigation to the President on September 23, 1957.[45] On the basis of its investigation, the Commission found (Commissioners Jones and Dowling dissenting) that shelled almonds and blanched, roasted, or otherwise prepared or preserved almonds (not including almond paste) were practically certain to be imported into the United States during the period October 1, 1957, to September 30, 1958, both dates inclusive, under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the United States Department of Agriculture marketing-agreement-and-order program with respect to almonds undertaken pursuant to the Agricultural Marketing Agreement Act of 1937, as amended. The Commission also found that in order to prevent such interference it was necessary that a fee of 10 cents per pound, but not more than 50 percent ad valorem, be imposed on all such products entered, or withdrawn from warehouse, for consumption during the 12-month period beginning October 1, 1957, in

[43] U.S. Tariff Commission, *Certain Articles Containing 45 Percent or More of Butterfat or of Butterfat and Other Fat or Oil: Report to the President on Investigation No. 16 Under Section 22 . . .*, 1957 [processed].

[44] 3 CFR, 1957 Supp., 38.

[45] U.S. Tariff Commission, *Almonds: Report to the President on Investigation No. 17 Under Section 22 . . .*, 1957 [processed].

excess of an aggregate quantity of 3,500,000 pounds. The fee recommended by the Commission would be in addition to the regular customs duties presently in effect, irrespective of the quantities imported, of 16½ cents per pound on shelled almonds and 18½ cents per pound on blanched, roasted, or otherwise prepared or preserved almonds.

On October 23, 1957, by Proclamation 3209,[46] the President imposed a tariff quota on imports of shelled almonds and blanched, roasted, or otherwise prepared almonds (not including almond paste). The proclamation provided for a fee of 10 cents per pound but not more than 50 percent ad valorem on imports in excess of 5 million pounds during the period beginning October 23, 1957, and ending September 30, 1958, such fee to be in addition to the regular import duties imposed on the importation of the specified almonds.

Dried figs and fig paste (second investigation)

On July 19, 1957, at the direction of the President, the Tariff Commission instituted an investigation of dried figs and fig paste, under the provisions of section 22. The Commission held a public hearing August 20–22, 1957.

The Commission reported the results of its investigation of dried figs and fig paste to the President on September 17, 1957.[47] On the basis of its investigation, the Commission found (Commissioners Brossard and Schreiber dissenting) that dried figs and fig paste were not practically certain to be imported during the 1957/58 crop year under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the marketing-agreement-and-order program and other programs with respect to figs and fig paste undertaken by the Department of Agriculture, or to reduce substantially the amount of products processed in the United States from domestic figs or fig paste with respect to which such programs are being undertaken. The Commission, therefore, made no recommendation to the President for the imposition of import restrictions on dried figs and fig paste under the provisions of section 22.

On October 23, 1957, the President announced that he had accepted the Commission's report on dried figs and fig paste.

Dates (second investigation)

At the direction of the President, the Tariff Commission on August 7, 1957, instituted an investigation of dates, under the provisions of section 22. The Commission held a public hearing on September 10 and 11, 1957.

The Commission reported the results of its investigation to the President

[46] 3 CFR, 1957 Supp., 49.

[47] U.S. Tariff Commission, *Dried Figs and Fig Paste: Report to the President on Investigation No. 18 Under Section 22 . . .*, 1957 [processed].

on November 4, 1957.[48] On the basis of its investigation, the Commission found (Commissioner Brossard dissenting) that dates were not being and were not practically certain to be imported during the 1957/58 crop year under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the Department of Agriculture date marketing-order program and its program for the diversion of dates to new uses, or to reduce substantially the amount of products processed in the United States from domestic dates for which these programs are being undertaken. The Commission, therefore, made no recommendation to the President for the imposition of import restrictions on dates under the provisions of section 22.

On November 29, 1957, the President announced that he had accepted the Commission's report on dates.

Tung nuts

On February 21, 1958, at the direction of the President, the Tariff Commission instituted an investigation of tung nuts, under the provisions of section 22. The Commission held a public hearing on March 10, 1958.

The Commission reported the results of its investigation to the President on March 19, 1958.[49] On the basis of its investigation, the Commission found that tung nuts are practically certain to be imported into the United States under such conditions and in such quantities as to interfere materially with the price-support program for tung oil and tung nuts undertaken by the Department of Agriculture. To prevent such interference, the Commission recommended to the President that the oil content of imported tung nuts be charged against the existing quotas applicable to imported tung oil.

By Proclamation 3236 of April 28, 1958,[50] effective immediately, the President—as recommended by the Commission—subjected imports of tung nuts to the existing quota on imports of tung oil established by Proclamation 3200 of September 9, 1957. The proclamation specified that, for its purposes, the oil content of tung nuts shall be computed on the basis of 15.9 pounds of oil for each 100 pounds of whole nuts, and on the basis of 35.8 pounds of oil for each 100 pounds of decorticated nuts. The proclamation also made a technical adjustment which provides that only direct shipments from supplying countries may be imported under the quota on tung oil and tung nuts.

[48] U.S. Tariff Commission, *Dates: Report to the President on Investigation No. 19 Under Section 22 . . .*, 1957 [processed].

[49] U.S. Tariff Commission, *Tung Nuts: Report to the President on Investigation No. 20 Under Section 22 . . .*, 1958 [processed].

[50] 23 F.R. 2959.

Restrictions Under the Sugar Act

Beginning with the Sugar Act of 1934 [51] and continuing with the Sugar Acts of 1937 [52] and 1948,[53] all sugar for the United States market, whether domestic or imported, has been limited by absolute quotas, except during periods of emergency when the President has exercised his authority to suspend the quotas. On September 1, 1951, the President approved legislation, which became effective January 1, 1953, to extend the Sugar Act of 1948, in amended form, for 4 years.[54] On May 29, 1956, the President approved legislation which further amended the Sugar Act of 1948 and extended it for a period of 5 years from January 1, 1956.[55]

Under the system of restrictions employed, the Secretary of Agriculture determines the quantity of sugar needed each year to meet the requirements of consumers in continental United States, taking into account "prices which will not be excessive to consumers and which will fairly and equitably maintain and protect the welfare of the domestic sugar industry." The quantity is then allocated, in the manner specified by law, among the producing areas in continental United States and its outlying territories and possessions and in the Republic of the Philippines, Cuba, and other foreign countries.

Except for the Philippines,[56] the allocations have been apportioned according to the shares of domestic consumption that were supplied by the respective sources before the controls were imposed. Under current legislation, the allocations are made in two stages. First, for a quantity of sugar determined by the Secretary of Agriculture in each year up to 8,350,000 tons,[57] the quotas for domestic areas (continental United States, Hawaii, Puerto Rico, and the Virgin Islands) and the Philippines are absolute quantities. The remainder of the total amount determined by the Secretary of Agriculture (up to 8,350,000 tons) is allocated proportionately to Cuba (96 percent) and to other foreign countries exclusive of the Philippines (4 percent). Second, for any part of the quantity of sugar determined by the Secretary of Agriculture that is in excess of 8,350,000 tons, domestic areas are allocated a 55-percent share and foreign countries other than the Philippines, a 45-percent share. Beginning in 1957,[58] the share allocated to

[51] 48 Stat. 670. [52] 50 Stat. 903.

[53] 61 Stat. 922; 7 U.S.C. 1100.

[54] 65 Stat. 318.

[55] 70 Stat. 217.

[56] Under the Philippine Trade Agreement Revision Act of 1955 the Philippine quota on sugar is fixed at 952,000 short tons. This quota, expressed in terms of 96° sugar (the basis of quota allocation in the Sugar Act of 1948, as amended), is equivalent to about 980,000 short tons.

[57] The amount of 8,350,000 tons was that initially determined by the Secretary of Agriculture as United States consumption requirements for 1956.

[58] In 1956 any quantity in excess of 8,350,000 tons allocable to foreign countries other than the Philippines was to be prorated to Cuba (96 percent) and other foreign countries (4 percent).

foreign countries other than the Philippines has been prorated to Cuba (29.59 percent), Mexico (5.10 percent), the Dominican Republic (4.95 percent), Peru (4.33 percent), and other countries (1.03 percent). Under the legislation in effect immediately before January 1, 1956, any increment in total estimated United States requirements as a result of expanded consumption was conferred on Cuba (96 percent) and on other foreign countries except the Philippines (4 percent). Under current legislation, however, domestic areas are granted 55 percent of future increments in total estimated requirements, and foreign countries other than Cuba and the Philippines are granted considerably larger shares of such increments than they previously had (15.41 percent, compared with 4 percent). The allocation to the Philippines, as noted above, is a fixed amount.

The sugar act provides for reallocation of deficits from any supplying area, and for areas other than continental United States limits the quantity that may be supplied as refined (direct-consumption) sugar. The act also provides for separate and additional quotas on imports of liquid sugar from foreign countries.

Restrictions Under the Philippine Trade Agreement Revision Act of 1955

The Philippine Trade Agreement Revision Act of 1955 [59] modified substantially the provisions of the Philippine Trade Act of 1946. Under the 1946 act, most United States imports from the Philippines were dutiable at progressively increasing percentages of the United States rates, but some imports from the Philippines (including a few of the above) were subject to either declining duty-free quotas or absolute quotas.[60]

Under the 1955 revised agreement between the United States and the Philippines, the absolute quotas established in the 1946 agreement on imports of Philippine sugar [61] and cordage were continued, but those on imports of Philippine rice, cigars, cigar filler and scrap tobacco, coconut

[59] 69 Stat. 413.

[60] The United States-Philippine trade agreement was not concluded under the authority of the Trade Agreements Act of 1934, as amended. Both the Philippine Trade Act of 1946 and the Philippine Trade Agreement Revision Act of 1955, which authorized the President of the United States to enter into the original and revised agreements with the Philippines, specifically prohibited the United States from entering into a trade agreement with the Philippines under the authority of the Trade Agreements Act as long as the United States-Philippine trade agreement remained in force. Because of the preferential duty arrangement between the United States and the Philippines, and the quotas established by the trade agreement on imports of Philippine products entering the United States, however, the quota provisions of the United States-Philippine trade agreement are discussed briefly here.

[61] The Philippine Trade Agreement Revision Act of 1955 provides that "the limitations on the amounts of Philippine raw and refined sugar that may be entered, . . . shall be without prejudice to any increases which the Congress of the United States might allocate to the Philippines in the future."

oil, and pearl or shell buttons were eliminated. United States imports of Philippine rice ceased to be subject to any quota under the revised agreement; imports of cigars, cigar filler and scrap tobacco, coconut oil, and pearl or shell buttons, however, continued to be subject to declining duty-free quotas. The schedule of declining duty-free quotas in the revised agreement followed the same pattern as the schedule of increases in United States import duties—that is, the quantity of each of the categories of Philippine articles that is entitled to duty-free entry was reduced, not at the uniform rate of 5 percent of the base quantity each year as provided in the 1946 agreement, but by the same progression as United States import duties were to be increased. The base quantities of the articles on which the annual quotas were to be calculated were the same in the revised agreement as in the 1946 agreement.[62]

[62] For a detailed discussion of the provisions of the Philippine Trade Agreement Revision Act of 1955, including the schedule of declining duty-free quotas, see *Operation of the Trade Agreements Program* (9th report), pp. 107–110.

Chapter 4

Developments in Trade Restrictions, Exchange Controls, and Tariffs in Countries With Which the United States Has Trade Agreements

INTRODUCTION

For most of the countries with which the United States has trade agreements, the year from July 1, 1957, to June 30, 1958, was one of considerably greater uncertainty than other recent years. Political disturbances and economic recession in many parts of the world were the basic factors that contributed to the generally unsettled state of affairs. However, uncertainty as to how their economies might be affected by the European Economic Community (Common Market) and by the proposed European free-trade area also contributed to the feeling of uneasiness in many countries. An outstanding development of a positive character was the greatly improved external financial position of the United Kingdom and the renewed prospect of sterling-dollar convertibility to which this improvement gave rise.

During the period covered by this report, a strong feeling developed in many countries that are contracting parties to the General Agreement on Tariffs and Trade (GATT)—especially those that are members of the Organization for European Economic Cooperation (OEEC)—that they had virtually reached the limit in freeing their trade from quantitative import restrictions. Although General Agreement countries that maintain quantitative restrictions for balance-of-payments reasons are obligated to abolish such restrictions when they are no longer justified on balance-of-payments grounds, some countries have lagged in fulfilling this obligation. In fact, most countries have expressed a determination to employ import quotas or licensing indefinitely to protect a "hard core" of domestic products—particularly agricultural products—regardless of how satisfactory their external financial position may be. Within OEEC, in particular, this attitude has created something of an impasse. The OEEC has not yet fully attained its objective of removing quantitative restrictions on intra-OEEC trade, as called for in the OEEC trade-liberalization schedule. It is, therefore, confronted with the question of what direction its next major steps should take. This element of uncertainty among OEEC countries directly involves the future of the European Payments Union (EPU), which was established in 1950 to make the currencies of the OEEC countries mutually exchangeable so that they could free their trade of quantitative restrictions and place it on a sound multilateral basis. Several years ago plans were developed to terminate EPU and to replace it with a European Monetary Agreement. The proposed European Monetary Agreement is designed to retain one important feature of EPU—the granting of credits to members of OEEC that require such assistance. However, the life of EPU has been prolonged each year, and the organization's future has now become involved in that of the European Common Market and that of the proposed European free-trade area.

The contracting parties to the General Agreement on Tariffs and Trade and the members of the International Monetary Fund—particularly the former—are also deeply involved in any plans for the future of OEEC and EPU, and in the developments relating to the Common Market and the proposed European free-trade area. The General Agreement permits contracting parties to form customs unions or free-trade areas, and establishes rules to assure that the operation of such country groupings will conform to the basic polic ies laid down in the agreement.[1]

The United States not only is a contracting party to the General Agreement and a member of the International Monetary Fund but also has special relationships with the OEEC countries. It therefore is vitally interested, together with the other GATT and Monetary Fund countries, and with the OEEC countries, in solving the various problems that have arisen in the last year or so. It continues its efforts to persuade the OEEC countries to accord to dollar imports the same degree of trade liberalization that those countries accord to their trade with each other. The United States also supports the International Monetary Fund's efforts to achieve more orderly foreign-exchange practices, particularly the simplification or abolition of multiple-exchange-rate systems. These systems, which are inherently discriminatory in their treatment of the trade of different countries and different commodities, are still employed by about 10 countries with which the United States has trade agreements.

Partly because of uncertainties about the future of trade liberalization and currency convertibility, and partly also because of the 1957–58 economic recession, a few countries have tended to return to the use of bilateral trade-and-payments agreements, which were such a prominent feature of world trade before the creation of OEEC and other multilateral trade organizations. Although there is no strong evidence of a general return to bilateralism, there has been, on the other hand, no continuation of the general advance toward multilateralism such as that which took place between 1950 and 1957. This slowdown in the advance toward multilater-

[1] See *Operation of the Trade Agreements Program* (10th report), pp. 116–117.

alism, as has already been pointed out, is attributable in part to the fact that trade liberalization has now reached a fairly high level.[2]

Certain countries have reacted to the generally unsettled economic situation by resorting to the use of import-curbing devices of a fiscal or procedural nature that fall short of such outright restrictions as quotas and exchange controls, and yet are intended to accomplish the same general purpose. The most outstanding recent development of this kind is the requirement that importers make advance deposits of a specified percentage of the amount of foreign exchange for which application is made, as a condition of obtaining import licenses or exchange licenses.[3] At the end of 1957, a number of countries with which the United States has trade agreements—including Argentina, Chile, France, Greece, Indonesia, Japan, Nicaragua, Paraguay, Peru, Turkey, and Uruguay—were requiring such advance deposits. In 1955, Finland required importers—as a prerequisite for receiving an import license—to deposit 10 percent of the value specified in the application, but abolished the practice in May 1957. Since the system was adopted by the other countries named above, the general practice has been to increase the severity of the requirement. The basis for calculating the percentage of the deposit differs from country to country. At the end of 1957, for example, Turkey required an advance deposit of only 10 percent of the value of the exchange application. The requirements in most of the other countries were much higher, ranging up to 100 percent, depending on the category of goods involved. In Paraguay, however, the required advance deposit was as high as 400 percent, and in Chile as high as 1,500 percent, for some commodities.

The requirement of advance deposits as a prerequisite of the issuance of import licenses is intended to, and does, increase the costs of importation. The increase may be slight if the required deposits are small and if other demands made on importers are not severe. If the required deposits are large, if the deposits are not refunded in full when an application is refused, or if the authorities retain the deposits for unduly long periods, the costs of importation may be appreciably increased.

Some of the countries with which the United States has trade agreements maintained the same level of trade liberalization in 1957–58 as in the preceding year; only a few trade-agreement countries increased the level of their liberalization. Countries as far apart geographically and economically as France and New Zealand took drastic steps to curb imports for balance-of-payments reasons. A number of other countries that had maintained, or even increased, their level of trade liberalization during the last half of 1957 reduced it during the first half of 1958. Although the Fed-

[2] See *Operation of the Trade Agreements Program* (10th report), pp. 135 ff., and footnote 9 on p. 122 of this report.

[3] International Monetary Fund, *Ninth Annual Report on Exchange Restrictions, 1958*, Washington, pp. 6–7, and individual country surveys.

eral Republic of Germany still applies restrictions of the kind usually associated with balance-of-payments difficulties, the International Monetary Fund has declared that West Germany is no longer entitled to apply restrictions for balance-of-payments reasons.

During 1957–58 most of the OEEC countries maintained their trade liberalization at about the same level as that in 1956–57. Some OEEC countries added a relatively small number of commodities to their liberalization lists for the OEEC countries and for the dollar area, while others changed their import-control regulations. Of the OEEC countries, only France departed radically from the prevailing pattern of commercial policy.

The United Kingdom made notable progress in freeing its import trade from controls, but none of the overseas countries of the sterling area relaxed their import restrictions appreciably in 1957–58, although Australia, Ghana, and the Federation of Rhodesia and Nyasaland improved their treatment of dollar imports to some extent. New Zealand imposed much more severe restrictions on imports, and India and the Union of South Africa tightened their restrictions somewhat. Burma, Ceylon, and Pakistan did not essentially change their treatment of imports.

Aside from the trade agreements that it has with nondollar countries of the OEEC group and the sterling area, the United States has trade agreements with a number of other nondollar countries. These countries are not members of any organization such as OEEC or the sterling area; each country follows a completely independent policy with respect to import restrictions and exchange control. Their principal common characteristic is a chronic shortage of dollar exchange and the consequent need to restrict imports from the dollar area for balance-of-payments reasons. Several of the countries in this group are Latin American countries, all of which have long relied heavily on multiple-exchange-rate systems to control their imports. Argentina, Brazil, and Chile, in particular, have endeavored for many years to overcome their chronic shortage of dollar exchange. In recent years they have succeeded in somewhat improving their overall foreign-exchange position. In 1957–58, however, they exercised approximately the same degree of control over imports, especially from dollar sources, as they have in earlier recent years.

During the period covered by this report, Uruguay became deeply involved in controversy with the United States over the latter's treatment of imports of wool from Uruguay. Uruguay made some progress in simplifying its exchange-rate system, but tightened its restrictions on imports. Paraguay abandoned its multiple-exchange-rate system in August 1957, removed quantitative restrictions on imports, and abolished its list of prohibited imports. By these actions, Paraguay moved substantially in the direction of the dollar countries, since the absence of quantitative import restrictions, particularly those imposed for balance-of-payments reasons, is an important feature of the commercial policies of dollar countries. However, Paraguay retained its system of advance deposits for most categories of imports, which enables it to restrict imports on the basis of both category and country of origin, depending on Paraguay's balance-of-payments position. Peru is more nearly a dollar country than any of the others in the group under discussion, but still maintains the kind of restrictions employed by nondollar countries. It still has two free fluctuating exchange rates, and requires advance deposits for most imports; and it applies no licenses or other controls to any imports except automobiles, which are admitted on a quota basis.

Earlier reports in the Tariff Commission series on the operation of the trade agreements program have given less attention to the commercial policies of the dollar countries than to those of countries that operate on the basis of inconvertible (or only partially convertible) currencies. Since the dollar countries maintain no restrictions on dollar imports or on any other imports for balance-of-payments reasons, the United States does not find it necessary to press such countries to admit its exports on a nondiscriminatory basis. From time to time, however, the United States has had occasion, on other grounds, to protest the treatment of its goods by these countries, notably when they do not apply the most-favored-nation principle to the treatment of a particular commodity, or when they apply quantitative import restrictions for reasons not sanctioned by the General Agreement on Tariffs and Trade or by the provisions of a bilateral agreement. The few problems of this kind that do arise are usually solved with relatively little difficulty. The countries in the dollar group with which the United States has trade agreements are Canada, Cuba, the Dominican Republic, El Salvador, Haiti, Honduras, Nicaragua, and Venezuela.

THE OEEC COUNTRIES AND THE STERLING AREA

For some years the countries of the Organization for European Economic Cooperation[4] and the countries of the sterling area[5] have endeavored to restore the convertibility of their currencies and multilateralism in their trade. At the beginning of World War II the countries of the sterling area

[4] The OEEC countries are Austria, Belgium, Denmark, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom. The United States has trade agreements with all these countries except Ireland and Portugal. The agreements with Iceland and Switzerland are on a bilateral basis; those with the other countries are under the General Agreement on Tariffs and Trade.

[5] The sterling area comprises all British Commonwealth countries except Canada, and a few non-Commonwealth countries. Commonwealth members of the area are the United Kingdom, Australia, Ceylon, Ghana, India, the Federation of Malaya, New Zealand, Pakistan, the Federation of Rhodesia and Nyasaland, and the Union of South Africa, together with all British colonies, protectorates, protected states, and trust territories. Non-Commonwealth members of the sterling area are Burma, Iceland, Iraq, Ireland, Jordan, and Libya.

entered into formal arrangements for the use of sterling and the pooling of their dollar reserves. Each overseas sterling country maintains an exchange-control system similar to that of the United Kingdom, but adapted to local requirements. Similar methods for controlling imports for balance-of-payments reasons—such as those that involve licenses or quotas—are employed throughout the sterling area. Through Commonwealth conferences the countries of the sterling area seek to present a common front on most of the important policy matters relating to trade and exchange controls.

The Organization for European Economic Cooperation (which was established in 1948) and its subsidiary, the European Payments Union (which was established in 1950), represent organized attempts to attain for the 17 member countries approximately the same objectives as those sought by the sterling-area countries. The United Kingdom, as titular head of the sterling area and as a member of both OEEC and EPU, serves as a connecting link between OEEC and the overseas countries of the sterling area. In many respects, therefore, the member countries of both OEEC and the sterling area have similar objectives and employ similar methods in dealing with the problem created by their shortage of dollar exchange.[6] Although some OEEC and some sterling-area countries have better balance-of-payments positions and larger foreign-exchange reserves than others, and although some of them have fully convertible currencies (Switzerland, for example) or currencies that are convertible in all but name (West Germany, for example), they have continued to cooperate in the common effort to attain general currency convertibility.

The OEEC Countries

Besides being associated in the trade-liberalization program of OEEC and in the operations of EPU, a number of OEEC countries have since 1953 participated in a multilateral foreign-exchange arbitrage arrangement under which transactions between one country and another can be effected through the currency of a third country.[7] Austria, Belgium, Denmark, France, the Federal Republic of Germany, Italy, Luxembourg, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom now participate in such an arrangement, and in 1957 Finland became associated with these countries in the arrangement. Certain banks in each of these countries are authorized to deal with each other in concluding spot transactions in any of the national currencies of the participating countries, and also in concluding forward transactions for up to 6 months' delivery (except transactions in French francs or with French banks, which are for 3 months' delivery). Under this system the participating

[6] The relation between OEEC-EPU and the sterling area is further discussed in the section of this chapter on the overseas sterling area.

[7] See *Operation of the Trade Agreements Program* (7th report), p. 146.

countries are able to offset, on a day-to-day basis, part of their bilateral accounts which otherwise would be settled through the facilities of EPU only at the end of each month. The extension of exchange arbitrage to cover all members of OEEC would, of course, take over most of the clearing functions for which EPU was created. Both EPU and exchange arbitrage have constituted important steps in the direction of general currency convertibility.

Multilateral exchange arrangements between a group of OEEC countries and Brazil (known as the Hague Club), and between a group of OEEC countries and Argentina (the Paris Club) have been in effect since 1955 and 1956, respectively. Under the Hague Club arrangement, Brazil's settlements with Austria, Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, the Netherlands, and the United Kingdom may be made in the currencies of any of these countries. Under the Paris Club arrangement, settlements between Argentina and Austria, Belgium, Denmark, Finland, France, the Federal Republic of Germany, Italy, Luxembourg, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom are made on the same basis.[8] These arrangements were concluded in an effort to break away from the strictly bilateral system of trade and payments that had prevailed between each of the European countries involved and Argentina and Brazil before the multilateral club systems were adopted.

Actions taken during 1957–58 by Austria, the Benelux countries, Denmark, France, the Federal Republic of Germany, Greece, and the United Kingdom are discussed at some length in the following paragraphs of this chapter. France's action in completely suspending its trade liberalization measures in June 1957, as well as its devaluation of the franc, and West Germany's failure to respond fully to the finding of the International Monetary Fund that it could go much farther than it has in removing its quantitative import restrictions, are given special attention. During 1957–58, actions of other OEEC countries with which the United States has trade agreements—Iceland, Italy, Norway, Sweden, Switzerland, and Turkey—were relatively few in the field of trade-and-exchange controls, although in some instances they were important.

Austria

Except for liberalizing dollar payments for certain invisible items in transactions with the United States and Canada, and temporarily suspending the import duties and quantitative restrictions on a few commodities, Austria did nothing during the period covered by this report to further free its trade from quantitative restrictions or exchange controls. Austria's liberalization of dollar payments for invisibles—including taxes, royalties, interest and dividends, profits from the transit trade, and insur-

[8] See *Operation of the Trade Agreements Program* (9th report), pp. 183–184.

ance—was prompted by the country's favorable foreign-exchange position. Such liberalization became effective for most transfers on September 2, 1957. The temporary suspension of duties and quantitative restrictions on imports of apples, pears, citrus fruits, bananas, poultry, pharmaceuticals, and certain other commodities did not represent actual import liberalization, since the restrictions on sources of supply were retained. The actions were taken to encourage imports and to reduce prices of these particular commodities.

During 1957–58, Austria intensified its restrictions on imports of certain other commodities. During the period March 12–December 31, 1957, imports of lead and zinc from European countries that are not members of OEEC were subjected to licensing in order to protect the nationalized nonferrous-metals industry; the liberalization measures continued to apply to imports of these commodities from OEEC countries. During the same period, imports of smoked fish from all European sources were also subjected to licensing to afford protection to domestic producers.

Austria's failure to further liberalize imports from the dollar area during 1957–58—despite its improved balance-of-payments position—was disappointing to the United States and Canada, both of which had been pressing for increased liberalization.[9] Originally, Austria had planned to further liberalize dollar imports in July 1957, but by June 30, 1958, no action had been taken, largely because a stalemate had developed between agricultural and industrial interests over which group should bear most of the burden of increased liberalization. Industry had thus far accounted for most of Austria's trade liberalization, and spokesmen for this group objected to releasing additional industrial products from import control without a considerable increase in liberalization of agricultural products. Since the farming interests refused to consent to the liberalization of more than a small fraction of the trade in agricultural products, no new liberalization measures were introduced for either group. Opposition by the farmers to further liberalization of agricultural products—which account for more than half of Austria's nonliberalized dollar imports—is very strong. They particularly object to liberalization of dollar imports of corn, wheat, and lard, on the ground that such action might oblige Austria (under its most-favored-nation commitments) to liberalize imports of those com-

[9] Austria first liberalized its merchandise imports from the United States and Canada in July 1955. The original liberalization covered 8 percent of Austria's imports from these countries. In October 1956, Austria increased to 40 percent its level of liberalization for imports from the United States and Canada.

For the purpose of calculating the level of trade liberalization achieved by its member countries, OEEC established the amount of trade to be liberalized as a fixed percentage of each member's imports on private account in a specified base year. For all OEEC countries except West Germany and Austria, the basis of calculation is 1948; for West Germany it is 1949; and for Austria, 1952. For imports into all OEEC countries from the United States and Canada, the basis of calculation is 1953.

modities from the Soviet bloc. Increased imports resulting from such widespread liberalization might, they feel, result in collapse of the Government's extensive program of production and price control for these commodities.[10]

The Benelux countries

During 1957–58, Belgium, Luxembourg, and the Netherlands, acting both in concert and individually, took some important actions with respect to their treatment of imports from the dollar area and elsewhere. In 1957 the Benelux countries, with the approval of the High Authority of the European Coal and Steel Community (ECSC), continued their tariff quotas on imports of pig iron and ordinary and special steels from countries outside ECSC. These quotas, which for the most part were much smaller than those in 1956, permitted the Benelux countries to import the commodities in question for their own internal requirements from countries outside ECSC at the lower Benelux tariff rates. Imports by the other ECSC countries, however, continued to be subject to the higher rates of duty that they apply to imports from non-ECSC countries. The Benelux imports in question in excess of the quota were subject to higher rates of duty that harmonized with the duties levied by the other ECSC countries. In February 1958, however, the Benelux countries increased their import duties on iron and steel products originating in countries outside ECSC so that these duties harmonized with (but were not identical with) the iron and steel tariff schedules of the other ECSC countries. The increase in the Benelux tariffs coincided with the ending of the 5-year transitional period of ECSC. It was only during the transitional period that the Benelux countries were permitted to import certain iron and steel products from countries outside ECSC for their own use at rates lower than those of the other ECSC countries.

During the first 6 months of 1958 the Benelux countries also established new global quotas for imports of certain commodities. The global quotas on some commodities—including soap and automobiles—were increased, but those on rice, penicillin, and a few other commodities were not changed. The United States is chiefly interested in larger quotas for rice and penicillin.

Effective January 1, 1958, and to extend through the entire year, the Benelux countries suspended their import duties on a number of commodities, including coffee, salmon, portland cement, certain chemicals, and

[10] In the spring of 1958, Austria was confronted with a problem of this kind. Imports of corn into Austria from the OEEC countries are not subject to quantitative control. The import duty on corn—as well as on other commodities for which the Government absorbs the price differential between imported and domestic supplies—has been suspended. Because large imports of low-priced corn from the OEEC countries had begun to interfere with the Government's assistance program, Austria decided to curb imports by restoring the import duty.

certain iron and steel products. For the same period, they reduced the duties on imports of certain oranges and mandarins and on tea. These suspensions or reductions in duty were continuations of those previously in effect.

On October 1, 1957, Belgium and Luxembourg simplified their import and export procedures. They exempted from licensing requirements 30 import tariff classifications and 180 export tariff classifications, and indicated that they soon would abandon the entire system of license declarations. Some grains and grain products were added to the list of products subject to licensing. Since licenses were already being granted automatically for most of the products exempted from the licensing requirement, the new action represented principally a simplification of administrative procedures. At about the same time, the Netherlands removed the licensing requirement for a number of agricultural products exported to or imported from the other OEEC countries (except Turkey) and the overseas areas associated with them.

The Benelux countries ordinarily act jointly with respect to the embargo on imports of apples entering between September 1 and the following March 15, and that on imports of pears entering between September 1 and the following February 15. In August 1957, however, the Netherlands abolished its traditional restrictions on imports of apples and pears, and permitted their importation from September 1 through December 31. Belgium and Luxembourg, on the other hand, remained cool to the Netherlands suggestion that they adopt the same policy—a suggestion that was, of course, also in accord with the interest of the United States and other countries that export apples and pears. In January 1958, however, Belgium and Luxembourg did lift the embargo on imports of apples during the remainder of the winter period.

Belgium's most pressing economic problem in the last year or two has resulted from a sharp decline in the demand for Belgian coal, which in turn has led to increasing stocks of domestic coal and increasing unemployment in the mining industry. Largely because of the higher price of Belgian coal, other members of the European Coal and Steel Community had begun to buy coal elsewhere. To assist the domestic coal industry, Belgium suspended new contracts for the purchase of coal in the United States and, in February 1958, restored the licensing requirement for imports of coal from all sources.

On February 3, 1958, the three Benelux countries concluded a treaty establishing the Benelux Economic Union; the Economic Union superseded the Benelux Customs Union, which had been in operation since 1948. The new treaty for the three Benelux countries establishes the same kind of economic union that had existed as far back as 1921 between Belgium and Luxembourg. Among other things, the treaty provides for the unification of the trade policies of the three countries; for the free movement among them of persons, goods, capital, and services; and for the coordination of their economic, financial, and social policies. Under the newly established Economic Union, Belgium, the Netherlands, and Luxembourg consolidated and codified a number of tariff and trade agreements that had been in effect under the Benelux Customs Union. The Benelux Economic Union is an example of the kind of complete economic union that is projected by the European Economic Community (the Common Market), of which the Benelux countries are members.[11]

Since 1948 the Benelux countries have had a common policy on most matters involving external commercial relations. Belgium and Luxembourg, acting jointly as the Belgo-Luxembourg Economic Union (BLEU), have operated in unison with the Netherlands under the Benelux Customs Union and its successor, the more highly integrated Benelux Economic Union. Creation of the Economic Union assures complete coordination of action by the three countries in applying import duties, exchange controls, and quantitative restrictions to commodities imported from countries outside the Union.

Denmark

During the period covered by this report, Denmark substantially increased its formal liberalization of dollar imports, more freely licensed imports of some commodities not yet formally freed from restrictions, and adopted legislation which continued its foreign-exchange-control law without much change. It also adopted mixing regulations for the milling of wheat and rye flour, and altered its treatment of imported automobiles. During the summer of 1957, Denmark inaugurated a crisis program to combat its deteriorating foreign-exchange position; not until several months later, after an improvement in its dollar-exchange position, did Denmark further liberalize dollar imports.

The crisis program that Denmark inaugurated in July 1957 sought—primarily through the use of fiscal measures—to arrest the increase in domestic consumption and to improve the credit position of the Danish

[11] For a discussion of the history and objectives of the European Economic Community, see *Operation of the Trade Agreements Program* (10th report), pp. 112–129.

The European Economic Community, or Common Market, was formally established on Jan. 1, 1958, when its charter became legally binding on the 6 participating countries—France, the Federal Republic of Germany, Italy, and the 3 Benelux countries. This customs union will begin its operations on Jan. 1, 1959, when the first 10-percent reduction will be made in the import duties of the 6 participating countries on commodities exchanged within the Community. During recent years, negotiations have also been carried on looking toward the establishment of a European free-trade area, but no agreement on it had been reached by the end of the period covered by this report. The proposed free-trade area would include all the OEEC countries, and the 6 Common Market countries would operate as a unit within it. Customs duties would be eliminated on the mutual trade of the participating countries, but each country would retain its own tariff on goods from countries outside the area. (See ibid., pp. 129–132.)

economy.[12] When this program was inaugurated, and for the remainder of 1957, there appeared to be little likelihood that imports would be further liberalized. However, a number of factors, including increased exports, reduced demand for imports, lower freight costs, and an improvement in Denmark's terms of trade resulted in an unexpected improvement in the country's foreign-exchange position, and led the Government to increase its level of dollar liberalization on February 26, 1958. This action, which expanded the number of products that may be imported without quantitative restriction from the OEEC and dollar areas,[13] increased from 55 percent to 66 percent (based on statistics for private imports in 1953) the level of liberalization for imports from the United States and Canada. The most important individual commodities affected by the liberalization were coarse grains (unground barley, oats, and corn) and dried fruits (figs, peaches, and apricots). The expanded list also includes shelled almonds, artificial textile fibers, animal and vegetable wax, coal, coke, textile machinery, cameras and related equipment, aircraft engines, steel wire, and various categories of unmanufactured and semimanufactured iron.

Besides further liberalizing imports from the OEEC countries and the dollar countries, Denmark provided for increased licensing of imports from all countries of products still restricted by license; this action was designed to overcome the effects of the country's restrictive import policies on the domestic price level and on costs of production. A number of products that formerly could be imported from specific countries with which Denmark has bilateral trade agreements were made eligible for importation from the entire OEEC area, but subject to license. Some of the products for which more liberal licensing was provided were lemon, orange, and grapefruit juice; citrus pulp and other fruit pulp for industrial use; and onions. The United States has long hoped that Denmark would liberalize its imports of citrus fruits from the United States, but Denmark did nothing in this direction in 1957–58.

Denmark's action of February 1958 did not materially change the country's import policy with respect to imports of agricultural products from the United States or any other country, since most of the commodities that were formally liberalized had been freely licensed even though they

---

[12] For a discussion of similar measures adopted by Denmark in 1955, see *Operation of the Trade Agreements Program*: 8th report, p. 141; 9th report, pp. 145–147.

[13] Denmark has two main "free" lists (i.e., lists of commodities not subject to licensing) for imports: (1) A general free list, applicable to imports originating in the dollar area or in OEEC countries; and (2) a regional free list, applicable to imports originating in the OEEC area. Both of these lists also apply to 8 other countries. Denmark also maintains two other lists, differing from those above in that the commodities listed are subject to formal licensing in order to identify the goods imported, but for which licenses are granted freely. These lists are (1) the general free issue of license list, and (2) the regional free issue of license list. The former is applicable to the same countries as those on the general free list, and the latter, to the same countries as those on the regional free list.

had been subject to import licensing. The action was important, however, because articles that are formally liberalized are not likely to be retransferred to the restricted category unless the country's balance-of-payments position deteriorates badly. Certain spokesmen, notably the Governor of the National Bank of Denmark, warned that if there was a worsening of the international economic recession Denmark would have to reconsider its position with respect to the liberal treatment of imports, especially if countries with strong foreign-exchange positions did not adopt policies that would provide increased markets for Danish products.

"Mixing" regulations adopted by foreign countries concern the United States because they are frequently employed to restrict certain imports in favor of like domestic products. Moreover, because of the frequent changes, mixing regulations usually introduce an element of uncertainty in the trade with the particular country. The fact that such regulations violate the provisions of the General Agreement on Tariffs and Trade has not prevented some contracting parties from employing them. Legislation of July 1957 authorized the Danish Ministry of Agriculture to require that all wheat and rye flour produced in Denmark contain a certain minimum of domestic wheat and rye. For the period September 15–October 15, 1957, the Ministry of Agriculture stipulated that all domestically produced wheat flour must contain not less than 50 percent Danish wheat; after October 15, the minimum was set at 70 percent. For rye flour, the proportion of Danish rye was fixed at 70 percent for the period August 15–September 15, and thereafter at 90 percent. Early in 1958 these regulations were extended without change until August 31, 1958. In April 1958, however, the proportions of domestic grain to be used in the milling of both wheat and rye flour were reduced to 50 percent.

For some years, Denmark has maintained a dollar export incentive plan.[14] Under this plan, exporters of most goods to dollar countries are entitled to retain a certain percentage of the proceeds from their exports. These "dollar premium" export proceeds may be used to import otherwise restricted goods from a specified list of countries, including the OEEC countries and their associated territories, the Soviet Union, and several other nondollar countries. Before January 1, 1957, such exporters were permitted to retain 10 percent of their proceeds, for which they were issued transferable "title to import" licenses. Since January 1, 1957, they have been permitted to retain only 7½ percent of their proceeds. Exports entitled to the premium increased substantially in 1957 as compared with 1956, but the value of the transferable "title to import" licenses declined because of the reduction in the percentage of proceeds that might be retained.

Automobiles, mainly from West Germany and the United Kingdom, are

[14] For the earlier history of the operation of this plan, see *Operation of the Trade Agreements Program* (7th report), pp. 151–153.

the largest single item imported from the OEEC countries with dollar receipts under Denmark's dollar-retention plan. Before July 1957, import licenses for automobiles and motorcycles were issued either to priority users under "essential use" permits, or to holders of "title to import" licenses. Since the dollar-retention system was applicable only to otherwise restricted imports, this system could operate for automobiles and motorcycles only as long as imports of those commodities were not liberalized for the OEEC countries. On July 8, 1957, imports of automobiles, motorcycles, and certain related commodities were liberalized for the OEEC countries, and the old method of controlling these imports was abolished. To replace the old system, Denmark levied a purchase tax on the newly liberalized imports, and also applied an equalization tax to imports of assembled passenger cars. At the same time, Denmark abolished the old turnover tax applicable to the first sale of most motor vehicles.

France

During 1957–58, France took a number of actions that not only profoundly affected its own trade and financial policies, but also had widespread repercussions in other countries. It canceled its trade-liberalization measures, temporarily suspended the issuance of all import licenses, devalued its currency, and adopted a new import-control program. After the trade-liberalization measures were withdrawn, France abolished the special temporary compensatory tax that had been levied on liberalized imports, and made changes in its system of advance deposits. Important changes were also made in France's system of export aids. These and other measures were all more or less associated with the political crisis in France which resulted in the rise to power of Gen. Charles de Gaulle. Officially, the changes in France's foreign-trade regulations and the devaluation of the currency were explained as being urgent because French foreign-exchange reserves were exhausted.

In June 1957, 2 weeks before the beginning of the period covered by this report, France canceled all its trade-liberalization measures, and even temporarily suspended the issuance of licenses for imports. Following this action, all imports became subject to license, and formerly liberalized imports entering France from the OEEC countries, the transferable-franc area, and the dollar area again became subject to quotas.

In August 1957, with the approval of the International Monetary Fund, France established a new exchange-rate system. It applied a 20-percent surcharge on purchases of foreign exchange for use in paying for invisibles and most imports originating outside the franc area, and a 20-percent premium on sales of foreign exchange derived from most exports to countries outside the franc area. For all transactions made subject to this 20-percent differential the new effective exchange rate became 420 francs per U.S. dollar, calculated on the basis of the former rate of 350 francs per

U.S. dollar. Exempted from the surcharge were imports of coal, iron ore, steel, sulfur, textile raw materials, and certain other essential raw materials. Coal and steel were exempted from the import surcharge because France's participation in the European Coal and Steel Community (ECSC) prevented it from restricting imports of these commodities from other ECSC countries by recourse to such a discriminatory device as the surcharge. By retaining the old 350-franc rate for these and other materials essential to French industry, France sought to limit, as much as possible, upward adjustments in the domestic price level. Substantially the same commodities were denied the benefits of the 20-percent export premium in order not to stimulate their exportation.

In October 1957, France virtually eliminated the multiple-currency aspects of the changes introduced in August by making all transactions in foreign currencies, with one exception, subject to the 20-percent surcharge or premium. The exception was imports of cereals by the French overseas departments (except Algeria) and territories. Finally, in June 1958, France formally eliminated the 20-percent surcharge on imports and the 20-percent premium on exports. The Bank of France began at once to buy and sell U.S. dollars in the Paris exchange market at the 420-franc rate (and all other currencies at a similarly adjusted rate). This action indicated that the import surcharge and the export premium had been incorporated in the official exchange rate.

To reassure the OEEC countries and other countries that its deliberalization of imports in June 1957 was a temporary measure, France officially took the position that the changes in the exchange-rate system and foreign-trade regulations would insure a more rapid recovery of the French economy and provide a new basis for reliberalizing France's trade. After suspending trade liberalization, France abolished the special temporary 15-percent compensation tax that for several years had been levied on liberalized imports from the OEEC countries. Since all imports became subject to licensing after the deliberalization action, the tax was no longer necessary to restrict imports. Consistent with this action was the restoration of the 6-month duration for import licenses, which in March 1957 had been reduced to 3 months.

Changes were also made in the advance-deposit requirement for imports. An attempt to reduce imports by ordering an increase in the deposit against import licenses—from 25 percent to 50 percent—had been made early in June 1957, more than 2 months before the devaluation measure was introduced. After devaluation, the 50-percent deposit against import licenses was discontinued, but was replaced by the requirement of a 50-percent ad valorem deposit against all forward purchases of foreign exchange. Abolition of the 50-percent advance deposit was a logical result of France's having taken much stronger steps to control imports.

The OEEC Code of Liberalization requires any member country that suspends trade liberalization measures to reliberalize at least 60 percent of its private imports from OEEC countries within 1 year, and 75 percent within 18 months. In June 1958, France notified the other OEEC countries that it would not be able to reliberalize its imports at the designated times. After having decided at the end of 1957 to limit imports from foreign countries to a specified level for each half of 1958, France announced in the spring of 1958 that because of continuing deficits it would have to restrict imports even more severely during the second half of 1958. It planned to accomplish this reduction by the restriction of imports of finished products.

After OEEC and the European Economic Community protested its proposed action, France submitted to the other OEEC countries a new import program for the second half of 1958. Under the new program, quotas for nonessential imports were to remain unchanged for imports from OEEC countries and from countries with which France has bilateral agreements. Imports of raw materials and basic foodstuffs from OEEC countries were to be adjusted according to existing requirements. Imports from the dollar area and other sources that France may reduce by unilateral action appeared certain to bear the main burden of the reduction. The United States and Canada continued to urge that France accord the dollar area equal treatment with the OEEC countries in the matter of liberalization; during the spring of 1958 there were some indications that France was moving in this direction. For example, the United States protested France's 1957 action in establishing an import quota for oranges from the Union of South Africa without providing for imports of oranges from the United States. France indicated that it would accede to the United States demand and remove the discrimination. In March 1958 France announced that it had established a global import quota for apples —an action in contrast with its 1957 policy of establishing import quotas for apples from designated countries only. The French dollar-area import list of March 1958 established quotas for the importation of a number of products from the United States and Canada only. The list consisted mainly of products that were formerly liberalized for the OEEC countries only, but it also included some products not formerly liberalized for any country, e.g., industrial equipment, spare parts, tools, and some semifinished materials.

During the period August 1957 to June 1958, when France was altering its payments system and its import regulations, it was also making profound changes with respect to exports. With the establishment of the 20-percent premium on its purchases of foreign exchange from French exporters, which was intended to stimulate exports, France, for the most part, abolished the system of export aid whereby exporters were reimbursed for fiscal and social charges imposed on their business operations. Under the new arrangement, only those exporters (principally exporters of textile products and woodpulp for use in the manufacture of artificial textiles) that were exempted from the benefits of the 20-percent premium remained eligible for reimbursement. After all exports were made subject to the 20-percent export premium in October 1957, France abolished the remaining tax rebates and social security refunds for exporters. It did not, however, either abolish or modify certain other export incentives such as price guaranties, export aid for agricultural products, compensation transactions, and currency-retention systems.

Between the fourth quarter of 1957 and the first quarter of 1958, French imports increased by 18 percent and exports declined by 6 percent. On May 30, 1958, in an effort to reduce the gap between imports and exports, France temporarily suspended the issuance of all import licenses except for certain categories of commodities, including coal and steel imports from the European Coal and Steel Community, imports covered by bilateral trade agreements with certain countries, and imports financed by that part of foreign-exchange earnings which exporters are permitted to retain for their own use. When the issuance of import licenses was resumed a short time later, France warned that more stringent import restrictions could be expected unless its external financial position showed a satisfactory improvement.

West Germany

From 1954 to 1956 the Federal Republic of Germany made substantial progress in freeing its import trade from quantitative restrictions and in liberally licensing imports of commodities for which it continued to maintain formal controls. By 1957, West Germany's level of trade liberalization for countries other than those in OEEC and those in the dollar area, excepting the Soviet bloc, was almost as high as its level of trade liberalization for the OEEC countries but lower than that for the dollar area. By 1957 West Germany had freed from quantitative restrictions 91.5 percent of the value of its private imports from other OEEC countries and 92.7 percent of its private imports from the United States and Canada. After the extension of the dollar liberalization list on January 1, 1958, it was calculated that 95 percent of West Germany's private imports from the United States and Canada had been freed from quantitative restrictions.[15]

[15] The dollar-area liberalization lists published by all OEEC countries that maintain such lists apply to the United States and Canada. Most of the lists also apply to all or most of the other dollar countries; but a few apply to the United States and Canada only, or to those two countries and only a few other dollar countries. For purposes of uniformity in showing the degree of liberalization, OEEC calculates the liberalization percentages for the United States and Canada only. Since the United States and Canada account for the great bulk of the dollar imports of West Germany and the other OEEC countries, the amount of trade of the OEEC group with these two countries closely approximates that with all dollar countries.

With these different base years used for calculating liberalization levels for the OEEC and the dollar areas—the procedure followed by OEEC—West Germany's level of liberalization for imports from the dollar area appears to be higher than that for imports from the OEEC area. If the same base year were used in making the calculations for both areas, however, the level of liberalization for the OEEC countries and other soft-currency areas would be shown to be considerably higher than that for the dollar area. Although calculations of this sort based on the same year for all countries are not available, there remains the possibility, in the case of West Germany, of using another method of indicating the extent of the discriminatory gap in West Germany's treatment of dollar imports as against imports from the OEEC area and other sources of supply. This is found in West Germany's new commodity classification for its foreign-trade statistics, which went into effect on January 1, 1958.[16]

On the same date that the new commodity classification became operative, West Germany issued three new "free lists," or lists of commodities—based on the new classification—which may be imported without quantitative restrictions into the Federal Republic from the OEEC area, other soft-currency sources, and the dollar area.[17] Only the countries in the Soviet bloc are excluded from the benefits of all three lists. West Germany trades with the Soviet-bloc countries, but all imports from those countries are subject to licensing, as are nonliberalized imports from any other source.

The new West German commodity classification specifies 6,490 classes of goods, or items, that may be imported into the country. Of the items that comprise the list of permissible imports, 6,320 are privately traded and 170 are state traded. Of the state-traded items, 159 are agricultural and only 11 are industrial. Of the items subject to private trading, 5,528 are industrial and 792 are agricultural.

A breakdown by areas of the privately traded items that had been liberalized[18] as of January 1, 1958, shows that the number of items liberalized for the OEEC countries and other soft-currency countries is considerably greater than that for the dollar area. The first and longest liberalization list (the OEEC list), comprising 5,950 of the 6,320 privately traded items on the importable list (leaving 370 items that are not liberalized), consists of commodities that may be imported into West Germany without quantitative restrictions from any part of the world

[16] The new classification brings the West German customs tariff into full conformity with the Brussels Nomenclature.

[17] These lists replaced liberalization lists that had been in effect for some years for these three groups of countries.

[18] Excluded from the liberalization lists, besides the state-traded items (which are not affected by liberalization), are those items that are designated as partially liberalized, that is, subject to import tenders (see the latter part of this section).

except the dollar area and the Soviet bloc, provided the country of origin is an OEEC country. The country of origin and the country of purchase need not be identical, provided the country of origin is an OEEC country and the country of purchase is not in the dollar area or the Soviet bloc.

The second liberalization list (the "other soft-currency countries" list) contains 5,655 items—295 fewer than the first list—but the number of countries in the origin group is much larger. As in the OEEC list, the dollar area and the Soviet bloc are excluded as to both origin and source, but the goods may originate in other soft-currency countries, as well as in OEEC countries. The 5,655 items in this list are also included in the OEEC list; 665 items, compared with 370 for the OEEC countries, are not liberalized for this "other soft-currency countries" group.

The third liberalization list (the dollar list) contains 5,504 items, all of which are included in the first and second lists. The items in this list may be imported without quantitative restriction from all countries except those in the Soviet bloc, provided the commodities originate outside the Soviet bloc. For products originating in the dollar area, the country of purchase may be in any of the three areas, i.e., the dollar area, the OEEC area, or other soft-currency areas. By virtue of the addition of the dollar countries, the third list constitutes the dollar liberalization list. For the dollar countries, 816 items are not liberalized (446 more than for the OEEC countries and 151 more than for the other soft-currency countries). These 446 items constitute most of the discriminatory gap that the United States seeks to have West Germany close by according the United States equal treatment with the OEEC countries.

Agricultural items in the West German commodity statistical code that are still subject to import restriction from all countries constituted about 17 percent of total West German imports in 1956. On the other hand, industrial items (except gold) still subject to import restriction from all countries comprised about 2.5 percent of total West German imports.

Industrial items that have not been liberalized for the dollar area, but are liberalized for the OEEC countries, include salt, shoes, leather, sewing machines and parts, toys, certain chemicals, plastics materials and articles thereof, natural and synthetic rubber and articles thereof, paper and paper products, textiles and textile articles, ceramics (except glass and glassware), iron and steel, nickel, aluminum and articles thereof (except alloy steels and nickel alloys), and buttons.

Industrial items that were added to the dollar liberalization list on January 1, 1958, include items in the following sections of the commodity statistical code: Animal and vegetable fats and oils; organic chemicals; inorganic chemicals; chemical fertilizers; pharmaceutical products (insulin and antibiotics); synthetic dyes; washing preparations; photographic films; plastics; rubber and rubber products; leather and leather goods; fur skins; wood products; cork and cork products; paper, paperboard, and products thereof; printed materials; textile fibers; textiles, and products thereof; glass and glassware; alloy steels (including ferrovanadium); nickel alloys; tools; radio apparatus; brooms and brushes; and miscellaneous articles (e.g., buttons and button blanks; writing pens; and pipes and other smoking accessories).

Agricultural items newly liberalized for the dollar area (besides several agricultural items newly liberalized for all three areas) include live poultry; dried sea fish; olives and capers in brine; lentils and other minor pulses; certain fresh vegetables; fresh pineapple and citrus fruits; table grapes; malt; sugar beets and sugarcane; straw and chaff; certain fats, oils, and fatty acids; cocoa byproducts (mainly those for technical use); tomato preparations; plum jam in bulk; pineapple pulp; and oilseed residues. Still unliberalized for the dollar area, but liberalized for the OEEC countries, are such important commodities as slaughtered and canned poultry, salmon, tunafish, whole milk powder, cheese, honey, most pulses, raisins, currants, potato starch, field seeds, soybean and peanut oil for food, candies and chewing gum, preserved fruits, and fruit juices.

The United States and other dollar countries continue to urge West Germany to accord them equal treatment with the OEEC countries with respect to import liberalization. West Germany, however, adheres to the policy of retaining formal import controls for such typical dollar commodities as those mentioned above. It has continued to maintain these restrictions despite the 1957 finding of the International Monetary Fund that quantitative restrictions on imports are no longer necessary to safeguard West Germany's monetary reserves and its balance-of-payments position.

West Germany accords preference to the OEEC countries and other soft-currency countries over the dollar area with regard to trade liberalization chiefly because of its strong creditor position within EPU and because these two groups of countries are the principal purchasers of West German finished industrial products.

The West German policy of protecting domestic producers and processors of agricultural products is implemented by West Germany's controlling not only the quantity of certain agricultural commodities eligible for import, but also the time that they may be entered. Imports of so-called basic foodstuffs—grains and feedstuffs, livestock and meat, milk and fat, and sugar—are subject to strict control under four marketing laws. Except for a few minor products, such as buckwheat and poultry, imports of basic foodstuffs have not been liberalized for any group of countries or any currency area.

Other West German regulations prohibit or make difficult the importation of commodities—such as fresh or preserved fruits and vegetables—that are produced within the country in substantial quantities. Imports of such commodities are permitted only under the system of import tenders. Temporary embargoes on imports of certain fresh fruits and vegetables during the periods when the domestic crops are being marketed constitute an additional barrier to the liberalization of these products. Moreover, lack of liberalization protects the domestic producers of canned or otherwise preserved fruits and vegetables and the juices thereof. High import duties, ranging from 25 percent to 40 percent ad valorem, plus an ad valorem turnover equalization tax, constitute a further barrier to the importation of these and other commodities—whether such imports are liberalized or not—including butter; cheese; honey; jams; marmalade; canned fruit; and apple, pear, and grape juice.

From time to time, however, West Germany liberalizes imports of agricultural products from the dollar area that are still subject to control under West German marketing laws. Basic foodstuffs may be imported only under the system of import tenders. Under this procedure the Government permits the commodities to enter the country, but requires that they be offered to the import and storage agencies responsible for administering the marketing laws. Those agencies decide whether to release the commodities for sale in the domestic market or to put them in storage. The system of import tenders (also called test tenders) was instituted by the Government as a means of enlarging import possibilities on a gradual, selective basis, and thus of testing the market preparatory to full liberalization. Under the system of long-term import tenders, imports of certain products are permitted mainly to fill the gap between domestic requirements and domestic production plus imports from nondollar sources. As a rule the value limit (quota) placed on such imports is not published, and applications for import licenses must be submitted within a specified period. However, West Germany has been liberal in extending the import tenders or in issuing new ones in accordance with demand. In past years such long-term tenders have been issued for oil cakes and meals, candies and chewing gum, dried fruits and nuts, canned pineapple, grass and clover seed, powdered eggs, fresh apples and pears, and fresh citrus fruits and citrus juices.

Several times during 1957–58 West Germany announced new quotas, or the extension of old quotas, for a great many nonliberalized agricultural commodities which, though not subject to marketing laws and importation under tenders, are still subject to quantitative restrictions. Quotas were announced for such products as rice; fresh table grapes; forestry seeds; poultry; vegetable juices; apple and pear juice; mild cured salmon; raisins and currants; canned asparagus; canned fruits (except pineapple, plums, and apples); beans; peas; and industrial corn, barley, and oats. Some of these quotas apply only to imports from the United States and Canada, but most of them apply to a wider range of countries.

During 1957–58 West Germany also established quotas for a variety of nonliberalized manufactured products imported from the dollar area, including certain vitamins, certain kinds of paper and cardboard, raw fur skins, raw aluminum, glass fiber yarns, rubber and asbestos goods, textiles and clothing, leather and leather goods, household sewing machines, various iron and steel products, toys and Christmas tree decorations, miscellaneous chemical products, certain tools and abrasives, and certain radio equipment. Quotas were also announced for geographic areas wider than the dollar countries only, e.g., on raw aluminum from the United States, Canada, and Peru; and on flax, hemp, and jute products from non-OEEC countries. As a rule the reexport of dollar commodities is permitted only against payment in freely convertible currencies (United States dollars, Canadian dollars, and Swiss francs); in some instances, however, such reexportation is prohibited.

To offset the effect on its domestic price level of large reserves of foreign exchange, especially those arising from its trade with EPU, West Germany occasionally orders temporary counter-inflationary tariff reductions or suspensions. At times it has taken similar action to forestall the imposition by other countries in EPU of additional import restrictions that these countries might apply to West German products in order to counteract the Federal Republic's growing trade surpluses with EPU. For the period August 20–December 31, 1957, for example, West Germany temporarily reduced by 25 percent the duties on most imported commodities subject to ad valorem rates, including those on which it had granted concessions under the General Agreement on Tariffs and Trade. A few manufactured commodities subject to ad valorem rates, including certain leather, textile, and chemical products, were exempted from the reductions. Also exempted were commodities subject to specific duties, agricultural products, commodities subject to fiscal duties, and coal and steel products for which the rates of duty are established by the European Coal and Steel Community. The temporary tariff reductions, originally scheduled to remain in effect until the end of 1957, were later extended indefinitely. Tariff reductions on a few additional industrial items became effective on January 1, 1958. At that time West Germany was also considering a draft proposal to reduce or suspend the duties on a number of agricultural commodities.

Greece

For its foreign exchange, Greece depends almost entirely on exports of agricultural products. As a result of the large increase in the country's agricultural production, Greece employs various devices to promote exports. Early in 1958, for example, the Government authorized the Ministry of Commerce to handle the purchase of foreign commodities required by Government agencies, public utilities, and welfare agencies. This authority may be used to engage in what is essentially barter trade with countries that might be willing to increase their purchases of such

Greek products as tobacco, citrus fruits, and fresh vegetables. Diesel locomotives, refrigerator cars, and fuel oil are among the commodities that Greece has recently obtained by barter deals of this kind.[19] The utilization of import controls to promote exports of certain commodities, which is a new development in Greek trade policy, runs counter to the interests of the United States and other countries that export industrial equipment and supplies, but which are not parties to such barter arrangements.

Since the 50-percent devaluation of the drachma in 1953 and the subsequent liberalization of Greek trade, Greece has required import licenses for only a few commodities. Except for specified luxury items and a few other commodities, imports are not subject to quantitative or qualitative restrictions, and exchange controls are applied sparingly. Greece maintains a price-support program for a number of agricultural products, notably wheat and olive oil, and imposes high import duties on most agricultural products. Duties on imports of agricultural equipment, on the other hand, are generally low. Certain meats and fish are exempted from import duties on a temporary basis. Imports of butter are subject to a tariff quota. Imports of textile remnants and refrigerators are rather severely limited by high duties and by restrictions on import financing. As a condition for importing goods, with the exception of foodstuffs and certain other commodities, Greece requires an advance deposit or guaranty. For goods imported on a cash basis, a cash deposit is required equal to certain specified percentages of the invoiced value of the goods—15 percent, 50 percent, or 100 percent, depending on the classification of the commodities. For imports against time drafts, the importer must give a personal guaranty equal to 25 percent of the c.i.f.[20] value of the goods.

United Kingdom

The United Kingdom's interest in the establishment of a European free-trade area, with which it would be prominently associated, exerted a strong influence during 1957–58 on its actions with respect to trade liberalization and the adjustment of its tariff structure. Another powerful influence on the general import policy of the United Kingdom was the improvement in the country's reserves and in its external financial position. In the first half of 1958—for the first time in the 20th century—the United Kingdom's export earnings exceeded its payments for imports. This development gave rise to renewed hopes for complete sterling-dollar convertibility. As a result of new trade-liberalization measures introduced

[19] At the end of 1957, besides its payments agreements with the OEEC countries, Greece had bilateral payments agreements with 15 countries, including the Soviet Union and most other European countries that are not members of OEEC.

[20] Cost, insurance, and freight.

on August 1, 1957, the United Kingdom had liberalized from quantitative restrictions a total of some 94 percent of its private imports from the other OEEC countries (based on imports for 1948) and had extended the same degree of liberalization to all other nondollar and non-Soviet-bloc countries except Japan. Also, the United Kingdom increased from 59 percent to 62 percent its liberalization of imports from the United States and Canada (based on imports for 1953[21]); by this action the United Kingdom removed controls from about 500 additional commodities imported from the dollar area.

The United Kingdom's dollar trade liberalization measures of August 1957 were its first since mid-1955; at that time the United Kingdom had decided that its external financial position would not permit further liberalization of its trade with the dollar area.[22] Besides representing a resumption of its pre-1955 activities in dollar trade liberalization, the United Kingdom's action of August 1957 also reflected progress toward attaining its goal of almost complete trade liberalization by the time the proposed free-trade area is established. The United Kingdom emphasized, however, as it had before in liberalizing dollar imports, that its need to economize on external expenditures had not ended. The new dollar liberalization measure was not expected to result in any large increase in imports of dollar goods—that is, in any substantial switch of imports from nondollar to dollar sources.

The United Kingdom's extensive trade liberalization of August 1, 1957, was accomplished by placing the commodities on the open general-license list, which specifies the items that may be imported without license from any source, including the dollar area.[23] Many basic industrial raw materials were freed of controls by this action. Included were numerous mineral products and metals; a number of oils, waxes, gums, resins, and perfume materials; nuts and kernels (including peanuts and cottonseed) for the manufacture of oil; peanut, linseed, corn, and soybean oils, stearine, and petroleum bitumin soap stock; such paper-making materials as straw and straw pulp, bagasse and bagasse pulp, and esparto grass and esparto pulp; such milled or unmilled cereals as barley, oats, wheat, rye, rice, sorghum, and corn; all animal fats, greases,

---

[21] For a discussion of the difficulty of comparing the figures on liberalization for the OEEC area and those for the dollar area, a problem presented by the use of different base years, see the section of this chapter on West Germany.

[22] Until mid-1955, when the United Kingdom's external financial position became critical, United Kingdom liberalization measures had consisted chiefly of returning to private trade most of the commodities that had been under state trading since the beginning of World War II. In 1951, state trading accounted for about half the United Kingdom's total imports. Except for manufactures of jute, state trading has been entirely eliminated.

[23] For a discussion of the United Kingdom's licensing system, see *Operation of the Trade Agreements Program* (9th report), pp. 166–167.

and oils except butter;[24] bladders and casings; malt and hops; certain starches and starch preparations; and dried beans, lentils, and peas.

Few manufactured articles are included in the United Kingdom's open general-license list. Even with the newly added commodities, the list includes only slightly more than 5 percent of all manufactured goods. Among the manufactured articles placed on open general license in August 1957 were about 150 chemical products, including most basic inorganic fertilizers, calcium superphosphate, mineral phosphates of lime, tanning substances, and a number of cellulose acetate and polyvinyl plastics materials; a wide range of iron and steel products; nonferrous metal manufactures; certain hides and skins (not including leather); and certain hardwoods and softwoods. As a result of the new liberalization measures, more than half the United Kingdom's dollar imports are permitted to enter the country without restriction as to quantity or source. Leather is one of the important commodities still not on the open general-license list, but it is admitted under quota. In compliance with the August 1957 liberalization measures, the former complicated quota arrangement for imports of leather from North America was replaced by a greatly simplified "global" quota for all dollar countries, and for the year ending July 31, 1958, the quota for dressed and undressed leather of all kinds was substantially increased.

Besides leather, a number of other important commodities are imported into the United Kingdom from the dollar area under quota; these include raw tobacco; canned salmon; canned tuna; pork; cheese; honey; and fresh, dried, and canned fruit. Almost all United States fruit sold to the United Kingdom since World War II has been purchased with dollars made available to the United Kingdom under the Agricultural Trade Development and Assistance Act. However, the United Kingdom has from time to time, as in 1958, allocated non-aid dollars for the purchase under quota of fruit from the dollar area, as well as for cheese, honey, and some other commodities.

The British token-import plan, under which specified consumer items

[24] In the United Kingdom's system of import controls, butter occupies a special position. It is the policy of the United Kingdom to protect not only the domestic dairy industry but also to assist the dairy industry of New Zealand, which depends heavily on markets in the United Kingdom. Early in 1958 the United Kingdom found that the New Zealand producers of butter were being materially injured by exports of butter to the United Kingdom from Finland, Ireland, and Sweden—countries which subsidize exports of butter. The United Kingdom, therefore, requested these countries to eliminate their subsidies on butter or to keep their exports of butter to the United Kingdom within specified limits. Otherwise, the United Kingdom announced, it was prepared to impose countervailing duties on imports of butter from these countries. Finland and Sweden agreed to limit their exports of butter as requested, while Ireland undertook to satisfy the United Kingdom that its exports of butter would not exceed a specified level. Also, the United Kingdom restricted imports of butter from Poland, and withdrew the open license for imports of butter from Eastern European countries.

are admitted from dollar countries in token quantities, still remains the only basis under which United States firms can gain access to the United Kingdom market for a large number of specified manufactured commodities. The plan was established in 1946, with the cooperation of the United States, as a method of insuring continued contact of United States exporters with the United Kingdom market. Since then, the plan has been modified with respect to the articles listed and the terms under which they may be imported into the United Kingdom. For 1958 the plan was being operated on the same basis as in 1957.[25]

During 1957–58 the United Kingdom made no extensive changes in its schedule of import duties. There was, however, considerable official discussion of the desirability of fundamentally revising the country's import tariff, and a bill to accomplish such a revision was introduced in the Parliament. The proposed legislation is not concerned with the present rates of duty; it is designed only to replace the existing complex tariff structure with a new one based on the Brussels Nomenclature. Adoption of the proposed tariff, like the United Kingdom's program to fully liberalize its trade by the time the free-trade area is established, would facilitate British cooperation with other European countries in eliminating quantitative restrictions and import duties on their mutual trade. In October 1957 the United Kingdom joined the countries of the European Coal and Steel Community in a plan to harmonize United Kingdom iron and steel tariffs with those of ECSC. Such harmonization would result in a general reduction of the United Kingdom's import duties on iron and steel products, and in some further adjustments in the iron and steel duties of ECSC. At present, United Kingdom duties on imports of iron and steel are largely suspended.

Iceland, Italy, Norway, Sweden, Switzerland, and Turkey

During the period covered by this report, Iceland revised the law which provides for assistance to the country's export industries—chiefly the fishing industry. For most currency transactions the operation of the new law resulted in a 35-percent devaluation of the króna, and thus increased (in terms of krónur) the proceeds available to exporters. The new law also considerably simplified Iceland's complex multiple-exchange-rate system, which formerly had involved more than 40 different effective rates of exchange.

Between July 1, 1957, and June 30, 1958, Italy made very few additions to its dollar liberalization list. In June 1957, however, it had added commodities from approximately 140 tariff classifications to its free dollar-import list, thereby increasing the level of liberalization for private

[25] For the earlier history of the British token-import plan, see *Operation of the Trade Agreements Program* (9th report), p. 168.

dollar imports from 39 percent to 71 percent (based on imports in 1953).[26] In September 1957, Italy exempted from customs duties imports of certain machinery and equipment used in the exploration for and production of natural gas, coal, and petroleum.

On January 1, 1958, Norway added a few commodities to its import-liberalization list. This action, however, increased only slightly the level of liberalization for the OEEC and the dollar countries, a level which was already more than 80 percent for both groups of countries. The newly liberalized commodities that were of principal interest to the United States included pecans, unsweetened lemon juice, rubber gloves, electric shavers, sewing machines, business machines, and certain industrial machinery. Imports of most of these commodities were already being licensed automatically. Norway also arranged for unrestricted imports from the United States of fresh apples, pears, peaches, and plums during specified months in 1957–58, but retained the import restrictions for the other months. This action was purely administrative and did not represent actual import liberalization.

On July 1, 1957, Sweden further liberalized imports of agricultural products from the dollar area by removing the licensing requirements for corn, wheat, rye, wheat and rye flour, soybeans, sugar, sirup, molasses, certain fats and oils, smoked and salted horsemeat, and certain other food products. The newly liberalized commodities had previously been included either in Sweden's OEEC liberalization list or in its transit-dollar list.[27] In August 1957 Sweden placed in effect a seasonal embargo on imports of fresh apples and pears for the 1957/58 season, but lifted the embargo for pears in October and that for apples in December. By means of import fees and other protectionist devices, Sweden maintains prices of domestically produced agricultural products at a level about 30 percent above world prices. The import fees on the commodities liberalized for the dollar area are relatively high.

Switzerland restricts the importation of only a few commodities—none of which are restricted for balance-of-payments reasons—and does not discriminate against imports from the dollar area. On April 1, 1958, Switzerland abolished its quantitative restrictions on imports of agricultural tractors, and simultaneously increased the rate of duty on them. At the same time it reduced the rate of duty on industrial tractors, imports of which had not been restricted by quota, to the same level as that for agricultural tractors. The quota on agricultural tractors had been in effect for 25 years, for the stated reason that the import duty on such tractors was too low to provide adequate protection to domestic producers.

Effective January 1, 1958, Switzerland further relaxed its regulations

[26] See *Operation of the Trade Agreements Program* (10th report), p. 142.

[27] See ibid., pp. 143–144.

on payments to most countries by increasing the minimum amount for which no official authorization is required. On January 31, 1958, in the interest of lowering the cost of living, Switzerland reduced its import duties on almost all fresh-meat products; meat is one of the few commodities that is still subject to licensing and to quota limitations.

Although Turkey has long depended on various United States aid programs, it nevertheless restricts imports to the barest essentials in order to conserve foreign exchange. Turkey employs a multiple-exchange-rate system and, since March 1, 1957, has imposed an exchange tax of 40 percent on most imports. For imports of certain nonessentials and luxuries, it also imposes surcharges of 25, 50, or 75 percent of the value of the import license. An advance deposit of 10 percent of the value of the applications for foreign exchange to pay for imported merchandise is required of private importers.

For exports of olive oil paid for in EPU currencies or free U. S. dollars, Turkey grants to exporters a premium of 100 percent of the f.o.b. price; funds to pay the premium are obtained from surcharges levied on imports of certain soapmaking materials. Under a system of transferable import rights established in August 1957, exporters of 21 commodities, including figs, raisins, tobacco, cotton, mohair, eggs, and filberts, are permitted to retain a specified percentage of their export proceeds. These proceeds may be used to import materials to package export commodities subject to retention rights.

The Overseas Sterling Area

The countries of the sterling area, of which the United Kingdom is the monetary center, act in unison with respect to exchange control. Each of the overseas members maintains an exchange-control system patterned after that of the United Kingdom, although each system differs somewhat in detail, depending on local conditions. The fact that all sterling-area countries need to conserve dollar exchange, and the close cooperation of overseas members with the United Kingdom, has led the sterling-area countries to adopt similar methods for restricting imports from the dollar area. Each sterling-area country, however, determines the extent to which it will restrict imports payable in dollars or in sterling and other soft currencies. In some instances, individual sterling-area countries with relatively strong dollar positions justify the continuation of their restrictions on dollar imports by citing the need for the sterling area as a whole to conserve dollar exchange.

Although most overseas sterling countries are being industrialized at a rapid rate, they still depend on exports of primary products for most of their foreign exchange. In general, they attempt to restrict their imports of industrial products to commodities that they do not produce at all or that they do not produce in quantities sufficient to meet domestic requirements. Imports of manufactured products payable in sterling—principally those from the United Kingdom—are generally given priority over imports payable in other soft currencies. Imports from nonsterling soft-currency sources, in turn, have priority over imports from the dollar area. Imports permitted from dollar sources generally consist of those that cannot be obtained at home or from soft-currency countries, or that are appreciably lower in price than commodities that can be obtained from those sources. As a general practice, the overseas sterling countries require licenses for imports from all countries. However, they license imports from the sterling area and other soft-currency areas more liberally than they do those from the United States and other dollar countries. Import quotas, which are widely employed by the sterling-area countries, are generally more restrictive of commodities from the dollar countries than of those from other sources.

All the sterling-area countries (except the Union of South Africa) pool their dollar earnings and draw on the common pool for their requirements of dollar exchange. This arrangement, of course, calls for highly coordinated action, so that no one country will for long be out of line in its drawings from the dollar pool. South Africa does not participate in the dollar-pool arrangement because it prefers to maintain its reserves principally in gold; the other sterling countries hold their reserves in sterling. South Africa provides its own dollar requirements either by selling domestically mined gold directly to the United States, or by settling in gold with the Bank of England for dollars acquired through London.

When the European Payments Union was established in 1950, the sterling area became closely associated with it in the attempt to attain the same degree of worldwide convertibility for soft currencies as already existed for the dollar. The sterling area comprised a group of widely scattered countries, with complete currency convertibility within the group;[28] the problem was that of reconciling the interests of the sterling area with those of the European Payments Union, which was created to provide a common currency of account for a large group of European countries.

The United Kingdom at first hesitated to join EPU because of the possible adverse effects that the new organization might have on the extension of multilateral trade between the sterling area and the transferable-account countries, some of which were members of EPU. Special provisions subsequently embodied in the EPU agreement satisfied the United Kingdom that coexistence with another currency grouping would

[28] Besides the sterling area, within which there was free transfer of sterling, there existed in 1950 another group of soft-currency countries outside the sterling area, known as transferable-account countries. Among these countries, sterling was transferable for current

not place sterling at too great a disadvantage.[29] By joining EPU, the United Kingdom, as the center of the sterling area, brought the overseas sterling countries into EPU as "associate" members. As a result, sterling payments between the overseas sterling countries and members of EPU were effected on the same basis as payments between the United Kingdom and other members of EPU.

Although the European Payments Union had been in operation for 8 years, the participating countries as a group still did not feel in 1957–58 that they could abandon this limited area of convertibility for the wider field of convertibility with the dollar, even though some of the individual EPU members were in a position to do so. It is still necessary, therefore, to relate the actions of the sterling-area countries to their association with EPU as well as to their obligations as members of the sterling area, which, like EPU, is not yet ready for general currency convertibility and the multilateralism in trade that would result from such convertibility. As for transactions with the dollar area, neither the United Kingdom nor any overseas sterling country is yet ready to take an independent position with respect to exchange controls and trade controls. The sterling-area countries all continue to employ the same techniques in controlling their dollar trade as they did before EPU was established. On the whole, however, they have made substantial progress in liberalizing their dollar imports from quantitative restrictions, although in some instances liberalization has been offset by a later tightening of import restrictions. For most of the overseas sterling countries, 1957–58 differed little from other recent years with respect to either the relaxation or the tightening of

---

payments, and the countries could use sterling to purchase goods and services anywhere in the sterling area. The only restriction on the use of sterling by these countries was that they were not permitted to convert it into their own or any other currency. By March 1954, however, the United Kingdom exchange-control authorities had placed virtually all nonsterling countries outside the dollar area in the transferable-account group and had abolished the pre-1954 restriction on the use of transferable-account sterling, including its limitation to current-account transactions. There are now three types of sterling: (1) That held by sterling-area residents and usable in the sterling area only; (2) transferable sterling, or that held by all other soft-currency countries; and (3) American-account sterling. American-account sterling, or sterling held by countries of the dollar area—sometimes referred to as "dollar sterling"—is convertible into dollars and is transferable to any country. That is, United States exporters to the United Kingdom are paid in this fully convertible dollar sterling. The only remaining barrier to the full convertibility of sterling is that sterling-area sterling and transferable-account sterling may not be exchanged for dollars except with the permission of the United Kingdom exchange-control authorities. Should the United Kingdom officially consolidate dollar sterling and transferable-account sterling, sterling-dollar convertibility would be realized. See *Operation of the Trade Agreements Program* (7th report), pp. 175–180.

[29] See W. M. Scammell, *International Monetary Policy*, London, 1957, pp. 291–294.

controls on dollar trade. An outstanding development was New Zealand's action in more severely restricting dollar imports.

Australia

To determine its policy with respect to import controls, Australia periodically reviews price trends and the prospects for its principal export commodities, such as wool, wheat, and meat. During the first half of 1957 Australia felt that, because of its improved foreign-exchange position, it was in a position to relax its import restrictions somewhat. By mid-1957, however, as the result of a prolonged drought and declining prices of wool, Australia decided that it could make no general changes in its import controls for the August-November period. Not until April 1958 did it further relax its import controls.

Australia restricts imports by three types of quantitative control—by quota, on an administrative licensing basis, and, since August 1, 1957, on a "replacement" basis. Most commodities falling under each of these types of control are licensed for nondollar countries only, but each group also contains some commodities that may be imported on a world, or global, basis.[30] Those commodities subject to quota enter in predetermined quantities that are fixed for each licensing period. The quantities that may be licensed for importation under administrative control are not established in advance on a quota basis. Each application for a license is considered on its merits; the application may or may not be granted.

Under the sales-replacement system, which was introduced for a considerable group of commodities on August 1, 1957, but later abandoned, importers were to be permitted to import only in quantities sufficient to satisfy current demand. The sales-replacement system, which replaced the quota system under which the goods had previously been imported, was designed to prevent importers from obtaining import licenses for speculative purposes and from importing larger quantities than they currently required. A few weeks after it had introduced the sales-replacement system, Australia—without altering the list of tariff items involved—replaced this system with an import-replacement system. Under the new system, licenses are issued to importers of a particular commodity, provided the value of their outstanding licenses is not more than twice that of their imports during the preceding licensing period.

Most of the 56 commodities made subject to the replacement system are producer goods required by Australian manufacturers. Only a few of the commodities may be imported from dollar as well as nondollar countries; these commodities include hog casings, pulp for paper manufacture, raw cotton, ferrous alloys, cash registers, and abrasive grains. The first 4 items were previously licensed on a global basis under the

[30] The system of world licensing was first introduced in Australia in October 1955.

administrative licensing system; cash registers and abrasive grains were previously licensed for nondollar countries only. The remaining 50 commodities admitted on a replacement basis—all previously imported under quota—continue to be imported from nondollar countries only. They include replacement parts for machinery, components for the manufacture of machinery, scientific and surgical instruments, ceramic colors, vitreous enamels, synthetic oils, lenses, nitrate of soda, bronzing and metal powders, dyes, natural fibers other than jute or flax, and typewriters.

When Australia introduced the replacement system, it relaxed the import restrictions on a few commodities not covered by this system. Restrictions on imports from the dollar area were relaxed mainly by increasing the number of commodities that could be licensed for importation on a world basis (besides those so treated under the replacement system). The quotas on 10 items that were previously open to nondollar countries only were made available to dollar countries. The commodities on this list include furnace electrodes, welding rods, greases, emory oil and whetstones, boric acid, certain materials for the manufacture of phonograph records, Mexican fiber, rosin, bentonite, and chemicals and other raw materials for use in the manufacture of sensitized material and processing chemicals for the X-ray and photograph industries. In addition, 6 commodities formerly admitted on an administrative basis from only nondollar countries became importable on an administrative basis from all countries. These commodities are bacteriological products; staves, casks, and shooks; last blocks and trees; elastic and corset cloth; orlon and other synthetic tops; and empty gelatine capsules. The addition of the above-mentioned 16 commodities to those already licensed on a world basis approximately doubled the number of commodities which Australian importers may import from the most advantageous sources of supply.

On August 1, 1957, Australia also increased the quotas on a few commodities that may be imported from nondollar countries only; included were taximeters, brake and transmission lining, and tiles. It also transferred 29 tariff items from administrative control to quota control; included were salmon and sardines, and books and printed matter, when imported from the dollar area. The transfer, which was made to simplify the procedure for obtaining licenses, was not intended to result in increased imports of the listed commodities. Actually, none of Australia's actions of August 1, 1957, substantially relaxed the country's import controls; rather, these actions represented a simplification of import procedures. The most important step in trade liberalization, as far as the dollar countries are concerned, was expansion of the list of commodities that may be imported from dollar as well as nondollar countries.

In April 1958 Australia exempted some imports from licensing, further simplified its import procedures, and reduced its discrimination against dollar goods. For the 4-month licensing period that began on April 1, 1958, all books from nondollar areas were exempted from licensing, and books (except fiction) from the dollar area were placed on the no-quota-restriction list, which insured that licenses for their importation would be issued freely. Also placed on the list of goods exempted from licensing—besides books of nondollar origin—were certain raw materials that were already being licensed to full requirements; included were nickel ingots, narcotics, drugs, rock phosphate, muriate and sulfate of potash, ferrous alloys, abrasives, and industrial diamonds. Imports of petroleum products had been exempted from import licensing on August 1, 1957.

For the licensing period that began on April 1, 1958, Australia also listed additional commodities that could be licensed without discrimination against dollar sources of supply; included were nickel anodes, boric acid, boron salts, manila hemp fibers, medicinal paraffin, unexposed film for use in television, and Thermit and other welding compounds. To speed the entry of certain commodities, collectors of customs were authorized to license numerous other imports without dollar discrimination. Included were card clothing for textile-working machines, graphite and plumbago, castor oil, palm oil, dead-burned magnesite, asphalt mastic, fluorspar, feldspar, kapok fiber, raw silk, and earths and clays other than bentonite. The principal significance of these actions was the reduction in the area of discrimination against dollar goods for the new licensing period; the ceiling, or budget, of approximately 800 million Australian pounds per year for total imports was not changed. Toward the end of the first half of 1958, Australia established quotas for a number of other commodities imported from the dollar area; they are not subject to licensing on a world basis. These included typewriters, dictating machines, vitamins, cameras and projectors, parts for cameras, and parts and replacement parts and components for certain machines.

In March 1958 Australia increased its import duties on motor vehicles and equipment. It also replaced the highly complex method of determining the duty on motor vehicles by establishing a single rate of duty for assembled motor vehicles; formerly the duty was determined by totaling the sum of the duties on the component parts of such vehicles. The revised system provides new rate classifications for original motor-vehicle components and replacement parts, as well as for fully assembled vehicles, and provides for different rates of duty, depending on whether the articles are available in Australia or the United Kingdom. The new rates for fully assembled motor vehicles weighing less than 10 tons are 25 percent ad valorem under the British preferential tariff, 27½ percent ad valorem when imported from Canada, and 35 percent ad valorem when imported from non-British countries. On the average, the new rates represent a 5-percent increase in the duty on fully assembled

British motor vehicles weighing less than 10 tons, and a 7-percent reduction in the duty on such vehicles when imported from foreign countries. Fully assembled motor vehicles weighing more than 10 tons were made dutiable at 12½ percent ad valorem under the British preferential tariff, at 15 percent ad valorem when imported from Canada, and at 22½ percent ad valorem when imported from non-British countries. Under the new system, many motor-vehicle components for which the Australian automotive industry cannot meet the demand are to be admitted free of duty from the United Kingdom. They are also to be admitted free of duty from other countries if adequate supplies are not available from the United Kingdom; otherwise, imports of such components from other countries are to be dutiable at 7½ percent ad valorem. Imports from Canada of component parts for motor vehicles are generally subject to the British preferential-tariff rates.

India

The sharp decline in India's foreign-exchange reserves after the middle of 1956 resulted in increasingly drastic measures by the Indian Government to curb imports. The basic cause of the decline has been India's second 5-year plan—which began in 1956—with its extremely heavy requirements for imported capital goods to build steel mills; to expand many other industries; and to build roads, dams, canals, and other adjuncts of the country's projected large-scale industrial development. Rather than defer any of the main objectives of its 5-year plan, India chose to sacrifice the greater part of its import trade in consumer goods in the interest of conserving foreign exchange. By 1958, however, the country's exchange position had become so critical that India also began to reduce drastically its import requirements for the 5-year plan. Despite the reduction of these requirements to the barest essentials, the exchange gap continued to increase. This was attributable in part to decreased earnings from exports of cotton, jute, tea, textiles, and other commodities, and in part to the substantial increase in imports of nonrestricted commodities.

Before July 1, 1957, India permitted imports under either open general licenses or individual licenses, and its licensing periods extended from January through June and from July through December of each year. For the January–June 1957 licensing period, India had imposed new restrictions on imports of some 500 less essential commodities.[31] When the open general licenses expired on June 30, 1957, they were not renewed.[32] Except for certain specified commodities, including raw materials, capital goods, and certain equipment imported on a deferred-

[31] See *Operation of the Trade Agreements Program* (10th report), p. 147.

[32] Open general licenses covering a reduced number of exports from Pakistan were renewed for a period of 3 months from July 1, 1957.

payment basis, no new individual import licenses were issued during the period July 1 to September 30, 1957.

Beginning October 1, 1957, after the open general licenses had been suspended for 3 months, India replaced the customary calendar half-year licensing periods with fiscal half-year periods (October through March and April through September). At the same time India took further drastic action to reduce its imports. Importation of 158 consumer items was suspended, and import quotas were reduced for 122 items. Except for trade samples, no imports were permitted under open general license.

The suspended list of 158 consumer items included tobacco manufactures, woolen textiles, razor blades, watches, fountain pens, crockery, cutlery, glassware, bicycles, and toilet articles. Commodities for which the import quotas were reduced included milk foods, drugs and medicines, photographic and scientific instruments, unexposed and exposed motion-picture film, household refrigerators, printing paper, copper, lead ingots, zinc, and aluminum. On the other hand, quotas for industrial raw materials and machinery parts imported by established importers were increased, and Indian manufacturers engaged in officially approved projects were permitted to import such items as component parts of typewriters, sewing machines, and motor vehicles. The general policy with respect to imports of merchandise from the dollar area, as introduced for the January–June 1957 licensing period, was not changed; one-half the value of all soft-currency-area import licenses could still be used for imports from the dollar area.

India's import policy for the April–September 1958 licensing period did not differ materially from that in the preceding 6-month period. It reflected the country's continuing effort to simultaneously conserve foreign exchange and maintain imports of raw materials and equipment at the level necessary to compensate for the decline in domestic output. In announcing its import policy for the April–September 1958 licensing period, the Government admitted for the first time that import restrictions were impeding domestic production, and there was widespread feeling that India should make vigorous efforts to obtain foreign credits for financing essential imports. The hard-core projects under India's second 5-year plan—including mining, construction of steel plants, railway and port development, and construction of powerplants—were given priority in allocating foreign exchange.

Because of these considerations, India raised its foreign-exchange ceilings for essential raw materials, and liberalized its import quotas for machinery and reduced them for consumer goods. The commodities for which the import quotas were increased, numbering more than 60, included printing machinery, agricultural tractors, parts for textile machinery, and drugs and medicines. Larger dollar quotas were established for leather belting, abrasives, industrial tools, household refrigerators, typewriters, photographic paper, motion-picture apparatus, acetic acid, and surgical instruments. Existing restrictions on imports of consumer goods such as razor blades, watches, and woolen fabrics were continued. For a number of commodities, domestic production of which was considered adequate, quotas were reduced. Included were bottled penicillin; unexposed motion-picture film; printer's ink; textile-finishing oils; coal-tar dyes; automobile parts; plastics raw materials; steel files; and such important consumer goods as milk foods, fruits, and fish.

Because of the country's critical external-payments situation, India not only endeavored to conserve foreign exchange by restricting imports, but also made vigorous efforts to increase its export earnings. It abolished the export duties on certain commodities, and accorded manufacturers a rebate of customs and excise duties on commodities used in the manufacture of textiles and certain foods for export. For some domestic products subject to export restrictions, quotas were established or existing quotas were increased.

New Zealand

On August 2, 1957, New Zealand added 11 items to the list of 159 commodities which could be imported without license from any source, including the dollar countries. The new additions included such important United States commodities as chains; mining machinery; and machines, machine tools, engines, and appliances for use in manufacturing and in industrial processes such as milling, shoemaking, baking, and earth moving. New Zealand's Conservative government announced that—as a result of this action—substantially less than 15 percent of the country's imports were subject to licensing.

When the Labor government took office in November 1957, however, it rapidly developed plans to greatly reduce New Zealand's total imports. The stated official reason for this severe policy was the rapid dwindling of New Zealand's foreign-exchange reserves, for which the new government blamed the liberal import policies of the Conservative government during the preceding 8 years. Accordingly, on January 1, 1958, the new government placed in effect a completely revised import schedule. The revised schedule contained 449 main tariff items and various subitems, bringing to about 1,000 the total number of commodities eligible for importation under license; the list of 170 items formerly freed of licensing was eliminated. Imports of certain luxury goods were prohibited entirely, as were those of some commodities that compete with domestic products. Although all imports now became subject to license (with certain commodities subject to quotas), the announced policy was to issue import permits for only essential foodstuffs and raw materials listed in the revised schedule; these commodities included wheat, coffee, dried fruits, crude petroleum, gasoline, raw rubber, ball bearings, and most metals. Most of the foreign-exchange savings were to be made by restricting imports—through smaller quota or exchange allocations—of automobiles, whisky, electric motors and appliances, watches, toys, cameras, chinaware, luxury foodstuffs, clothing, and shoes. Under the new regulations, dollar imports could be admitted only under special individual licenses, with no assurance that such licenses would be granted. For most nondollar commodities in the essential category, licenses were to be granted automatically. In the 7 new import categories established at this time, no provision was made specifically for dollar imports, and no import quotas were established for such goods.

Many countries, including the United States, the United Kingdom, France, and Australia, immediately protested against New Zealand's new import policy on the ground that its severity was not justified by the country's overall foreign-exchange position.[33] The United States, in particular, objected to increased discrimination against dollar imports at a time when New Zealand's dollar holdings were not appreciably out of line with its holdings of other currencies.

On March 17, 1958, New Zealand further revised its 1958 licensing schedule so as to reduce considerably the degree of discrimination against imports from the United States. However, it did not alter the stringent controls applicable after January 1, 1958, to imports from "scheduled" countries[34] other than the United States and Canada. The restrictions against imports from the United States and Canada were relaxed by authorizing the issuance of import licenses for a wide range of commodities from those countries on the same basis as for similar goods from "nonscheduled" countries. In general, New Zealand undertook to issue licenses in such a way that the percentage reduction in its total dollar expenditures would be no greater than the reduction in its expenditures for imports from nonscheduled countries.[35]

Under the new import schedule announced on March 17, 1958, 66 tariff items that had been exempt from import licensing regardless of source before they were eliminated on January 1 were placed in the category of goods for which licenses would be granted automatically in

[33] New Zealand critics of the new program maintained that measures other than import restrictions should have been applied to remedy the country's critical foreign-exchange situation; suggested remedies included higher taxes, higher interest rates, and a drastic cut in Government spending.

[34] Scheduled countries listed by New Zealand are Bolivia, Canada, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Japan, Korea, Liberia, Mexico, Nicaragua, Panama, the Philippine Republic, the United States, and Venezuela. Most of these countries are recognizable as dollar countries. All countries not listed as scheduled are referred to as nonscheduled.

[35] The granting of special treatment to the United States and Canada, but not to 18 other scheduled countries—the most important of which in New Zealand's trade is Japan—still left New Zealand open to the possibility of retaliatory action by these countries.

accordance with the individual importer's normal import experience. The list included drugs; medical instruments, appliances, and materials; chain belting; gypsum; copper, iron, lead, and tin in crude form; certain iron products; certain types of wire; lubricating oil; turpentine, rosin, and pine tar; dried prunes; ball bearings; and plastic molding powders. An additional 39 items, which before January 1 had been exempt from import licensing regardless of source, were placed under quotas open equally to the United States, Canada, and the nonscheduled (soft-currency) countries. These included patent leather; engines for motor vehicles and tractors; spare parts for tractors; measuring, counting, and testing machines; chain saws; artificers' tools; sausage casings; preserved fish; asbestos fiber; and aluminum, brass, copper, lead, and tin in bars and rods. The quotas for these items, which were based on imports in 1956, ranged from 50 percent for chain saws, artificers' tools, and preserved fish to 100 percent for patent leather, asbestos fiber, and nonferrous metals. Individual import applications were required for most of the other tariff items formerly exempt from licensing,[36] regardless of their origin.

Union of South Africa

In November 1957 South Africa officially announced that it would further relax its import controls during 1958, partly by simplifying its import procedures and partly by adopting a more liberal import policy. In May 1958, however, to arrest the decline in its foreign-exchange reserves, South Africa effected certain changes in its import-control regulations, making them somewhat more restrictive. On the whole, however, South Africa's ability to maintain a liberal and nondiscriminatory import policy depends primarily on its output of gold, which provides it with dollar income. As previously mentioned, South Africa does not participate, as do other sterling-area countries, in the sterling-area dollar pool.[37]

The further relaxation of import controls for 1958 that South Africa announced late in 1957 included abolition of the restricted list of imports,[38] the combining of other special lists, and the classification of all

[36] Since 170 items had been reported as exempt from licensing regardless of source as of Aug. 2, 1957, the "other tariff items" here referred to presumably would number 65.

[37] See *Operation of the Trade Agreements Program* (7th report), p. 189.

[38] Imports of goods on this list were not prohibited, but were simply held to a level that itself was fairly flexible. Holders of general-merchandise (consumers' goods) import permits had been permitted in 1955 to convert such permits into special permits valid for the importation of smaller quantities of certain restricted goods. Beginning Jan. 1, 1956, importers holding import permits for general merchandise were permitted to exchange them for permits valid for the importation of a similar quantity of restricted goods. With the establishment of equality of treatment between general-merchandise goods and restricted goods, there was no longer any reason for distinguishing between them.

imports into three major groups. The smallest group, which accounts for about 8 percent of all South African imports, includes jute; bananas; rice; juke boxes; books and periodicals; consumers' goods such as canned goods, clothing, and luxury goods; and miscellaneous items. Imports of commodities in this group continued to be limited by quota, as in the past. The second group, which accounts for about 20 percent of total imports, consists of commodities for which no import permit is required. Some of the principal categories of goods in this group are textile piece goods, accessories for the clothing industry, and gasoline and oil. The third and largest group, which accounts for about 72 percent of total imports, embraces commodities imported on a replacement basis. Principal among these are raw materials, motor vehicles, plant and equipment agricultural equipment, pharmaceuticals, and commodities formerly on a priority list.[39]

The regulations for importing commodities on a replacement basis, as originally promulgated in November 1957, still required import permits for such commodities. However, licenses were issued freely for these commodities in quantities equal to those sold by importers during a specified preceding period. Because importers found it difficult to comply with the regulations governing applications for replacement permits, the Government in April 1958 announced that it would cease to issue licenses automatically up to the value of current stocks sold or consumed. Instead, it arranged to issue licenses liberally for "reasonable requirements"—that is, for quantities that the importer could reasonably be expected to sell in any given period.

South Africa's action of April 1958 prohibited imports of fully assembled motorcars with an f.o.b. value of more than 800 South African pounds—one of the items that had been made subject to the replacement system. Motorcars valued at 800 pounds or less, and parts and equipment for motorcars assembled in South Africa, were not affected by this action.

In past years, import permits for commodities restricted by quota (jute, bananas, rice, and other articles previously mentioned) have been issued in "rounds" of a basic quota expressed as a percentage of imports in 1948. In 1957 the basic quota for such commodities was 60 percent; import licenses for them were issued in three rounds of 33⅓ percent, 20 percent, and 6⅔ percent, respectively. In March 1957 the basic quota was increased for a number of holders of permits for consumers' goods. The first round of permits for 1958, amounting to 40 percent of imports in the base year 1948 (compared with the first round of 33⅓ percent in

[39] The priority list had included a few consumers' goods the importation of which South Africa had encouraged by permitting the exchange of general-merchandise licenses for licenses that could be used to import a larger quantity of goods on the priority list.

1957), was issued at the beginning of 1958. It was expected that a second round, amounting to 20 percent of imports in 1948, would be issued later.

Besides maintaining relatively mild restrictions on imports because of its unsatisfactory foreign-exchange position, South Africa has, by action taken in June 1958, restricted the extension of bank credit for the direct or indirect financing of imports. To accomplish this end, as well as to check inflationary pressures, each commercial bank is required to maintain a supplementary reserve equal to 2 percent of its total liabilities. The required supplementary reserve will later be increased to 4 percent. Beginning June 1, 1958, South Africa also more strictly controlled exchange transactions with countries of the sterling area. After that date, applications for sterling-area currencies for any use became subject to the same restrictions as those for nonsterling currencies.

Burma, Ceylon, Ghana, Pakistan, and Rhodesia-Nyasaland

Burma, the only non-British member of the sterling area except Iceland, followed a relatively liberal import policy for a number of years. Beginning in March 1955, however, it restricted imports in order to arrest the decline in foreign-exchange reserves that had resulted from increased imports and decreased exports. After September 1956 Burma again adopted a more liberal import policy. But a year later, following another decline in exchange reserves, the country tightened its import restrictions; by requiring importers to obtain authorization for opening letters of credit, Burma in effect abolished the system of open general licenses. During 1957–58 Burma prohibited all imports of dollar origin except drugs and medicines and other commodities not obtainable elsewhere. In September 1957 Burma increased its import duties on 55 tariff items, mostly consumers' goods; the increases ranged from 11 percent to 200 percent. Officially, the duties were raised to increase customs revenues and to combat inflation, but the increased duties probably also stimulated domestic production of certain commodities, such as cigarettes.

Ceylon regulates the importation of all commodities, but since imports of many of them are subject to open general license, the restrictions—at least for authorized importers—are nominal. For registered Ceylonese importers there are no restrictions on the quantity or value of goods that may be imported from the dollar area. For non-Ceylonese importers, however, such imports are restricted to a level based on their previous imports. The Government has sought to discourage imports of luxury or nonessential goods by increasing the interest rates on money borrowed to finance such imports and by making it more difficult for importers to open letters of credit for imports of goods of this type.

Effective July 5, 1957, Ceylon increased its import duties on a few tariff items, including certain nylon goods, unmanufactured tobacco, gasoline, high-priced automobiles, air conditioners, and preserved and tinned vegetables. At the same time, it eliminated or reduced the import duties on certain articles required by domestic industries; included were woodworking machinery, turpentine, linseed oil, and a few other items.

Ghana requires individual licenses for commodities imported from dollar countries;[40] most commodities imported from nondollar sources enter under open general license. However, dollar imports into Ghana have been liberalized to the extent that importers that are granted dollar allocations (or quotas)[41] may now use them to purchase, in the United States and Canada, any commodities except petroleum products, motor vehicles, motion-picture film, explosives, ordnance, and gold. A specific license was formerly required for each class of goods. Importers that have not been granted dollar quotas must apply for specific licenses to cover their purchases. As a rule, such licenses are issued only for items that are considered essential and that are not available from nondollar sources. Ghana defends its policy of not extending its open-general-license system to commodities imported from the dollar area on the ground that, as a member of the sterling area, it must do its part to conserve dollar exchange by trading as much as possible with sterling-area countries.

Imports into Pakistan are subject to individual licenses; no commodities may be imported under open general licenses. Except for certain commodities that are subject to trade-agreement commitments, the licenses are valid for imports from any country.

Pakistan's import policy was slightly more liberal during the second half of 1957 than it had been during the first half of the year. As a result of increased United States aid to Pakistan, the list of consumers' goods to be licensed for importation was increased from 193 to 214 items. A few items importable during the previous licensing period were deleted from the list. During the second half of 1957 the Government prohibited imports of new automobiles valued at more than a stipulated amount. This action principally affected automobiles imported from the United States.

For the first half of 1958, as a result of its deteriorating foreign-exchange position, Pakistan reduced from 214 to 206 the number of items on its "importable" list. In adopting its budget for the fiscal year beginning April 1, 1958, Pakistan also increased the import duties on a number of commodities, including provisions and groceries, artificial-silk fabrics, earthenware, hardware and tools, and automobiles. The duties on im-

[40] Composed of the former British territories of the Gold Coast and Togoland, Ghana attained independence and became a member of the British Commonwealth of Nations on Mar. 6, 1957. On Oct. 17, 1957, Ghana became a contracting party to the General Agreement in its own right.

[41] That is, importers that were granted limited dollar quotas in November 1956 to permit the importation of "lesser essential but desirable commodities."

ports of most industrial machinery, which had been temporarily reduced, were restored to their former level.

For the licensing period July 1–December 31, 1957, the Federation of Rhodesia and Nyasaland made some changes in its system of import controls. These changes had the effect of formally removing certain nominal restrictions on the commodities thus "decontrolled." Specifically, the Federation transferred from specific license to open general license all commodities imported from the nonsterling area,[42] except those under quota or on the prohibited list, thereby making it possible for importers to obtain the necessary exchange for any permissible import. Since licenses and dollar exchange had previously been granted freely for goods not on the prohibited list or subject to quota, the principal effect of the new policy, which was continued in force for the first half of 1958, was to simplify administrative procedures. Certain items. including consumers' goods such as cigarettes, fruit juices, soap, linoleum, furniture, and phonograph records, were removed from the dollar-area prohibited list. Under the Federation's system of import controls, only a few commodities are subject to exchange quotas.

NONDOLLAR COUNTRIES OTHER THAN THOSE IN OEEC OR THE STERLING AREA

Certain nondollar countries are not members of either OEEC or the sterling area but, like most of the countries in those two groups, need to conserve their dollar exchange. This group includes six Latin American countries—Argentina, Brazil, Chile, Paraguay, Peru, and Uruguay—and Finland, Indonesia, Iran, and Japan. Argentina, Iran, and Paraguay have bilateral trade agreements with the United States; the other countries are contracting parties to the General Agreement on Tariffs and Trade.

All the above-mentioned countries are members of the International Monetary Fund, which makes its resources available to member countries that require funds to support their exchange rates. The Fund, moreover, encourages the simplification or abolition of multiple-exchange-rate systems, and seeks in other ways to create and maintain orderly exchange procedures. The Fund also advises the Contracting Parties to the General Agreement on Tariffs and Trade as to whether contracting parties that are also members of the Monetary Fund are in a position to relax or remove quantitative import restrictions that they have maintained for balance-of-payments reasons.

Of the 10 countries mentioned above, Argentina, Brazil, Chile, Peru, Uruguay, and Indonesia employ multiple-exchange-rate systems. Finland and Paraguay formerly maintained such systems, but shifted to

[42] The Federation of Rhodesia and Nyasaland imposes few restrictions on imports from countries of the sterling area.

single-rate exchange structures during the second half of 1957. Iran and Japan have single-rate exchange systems. All the countries except Brazil and Finland require importers to make advance deposits before obtaining the necessary exchange.

The import controls maintained by these countries vary considerably in their severity. Peru's controls are the least restrictive. The Peruvian currency, unlike that of the other countries in this group, is substantially convertible, so that Peru may be classified as virtually a dollar country. Peru does, however, maintain two fluctuating rates of exchange, and it restricts imports of automobiles. From the viewpoint of the International Monetary Fund, Peru is still an "article XIV" country, as are all the other countries in this group. Under article XIV of the Fund Agreement, member countries that maintain restrictions on payments and transfers for current international transactions must consult with the Fund each year concerning the further retention of the restrictions.[43]

Argentina

During the second half of 1957 and the first half of 1958, Argentina continued to deal with its deteriorating foreign-exchange position—especially its extremely low supply of dollar exchange—by restricting imports and stimulating exports.[44] Many of its actions during 1957–58 involved changes in the effective exchange rates for individual import and export commodities. Argentina relies greatly on its multiple-exchange-rate system to keep its payments for imports in balance with its income from exports. It supplements that system, however, with various devices, which include exchange licensing, quantitative restrictions on imports, import surcharges, advance-deposit requirements for foreign exchange, limitation of bank credit, and price and wage controls. These devices enable Argentina not only to control the level of imports, but also to channel purchases to nondollar sources. Although imports into Argentina from the United States were much higher in 1957 than in 1956, the increase was largely a result of loans from the Export-Import Bank of Washington and of credits from banks and United States exporters that were financing the purchase of capital goods. The increase in dollar imports, therefore, did not result in increased dollar earnings that would directly benefit dollar countries generally.

The Argentine official rate of exchange—18 pesos per U. S. dollar—

---

[43] Members of the Fund that do not apply any restrictions under the postwar transitional period provisions of art. XIV of the Fund Agreement are referred to as "article VIII" countries. These countries, commonly regarded as dollar countries, are Canada, Cuba, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Panama, the United States, and Venezuela.

[44] See *Operation of the Trade Agreements Program* (10th report), pp. 149–151.

is available only to pay for highly essential imports;[45] the Government sells exchange at this favorable rate to importers of such products, and also employs this rate for most Government payments. The outstanding development in the Argentine exchange-control system during 1957 was the increased use of free exchange for payment of imports; the selling price of such exchange is much greater than that of official exchange. A substantial number of commodities not considered essential to the Argentine economy were removed from the list of goods subject to the official rate of exchange and were placed on the list of goods subject to the free-market rate (either with or without an import surcharge). Imported commodities subject to the free-market rate range from less essential commodities to luxury goods. For some payments, including those for invisibles, capital, and certain specified commodities, the fluctuating free-market rate[46] is used without an added surcharge. For imports such as motor bicycles and spare parts for industrial and other machinery, the effective selling rate is the free-market rate plus a surcharge of 20 pesos. For imports of parts and replacements for automobiles, certain spare parts for tractors, and specified sports goods, the effective selling rate is the free-market rate plus a surcharge of 40 pesos. The great spread between the cost of exchange for use in importing commodities subject to the 40-peso surcharge and the cost of exchange for essential imports has had a decidedly restrictive effect on imports of such commodities as sports goods, parts and replacements for automobiles, and certain spare parts for tractors.

The surcharges of 20 pesos and 40 pesos, referred to above, remained in effect throughout 1957–58. Additional restrictions were imposed on imports during 1957, however, particularly during the second half of the year. The importation of some commodities, including chassis for small buses and trucks, was suspended. In May 1957 certain industrial machinery, machine tools, and welding equipment, importation of which was authorized through the free market (some of the commodities with, and some without, a surcharge), could be paid for in cash up to a specified value per unit if imported from most nondollar countries. Commodities in the same category valued above the specified level could be imported only if they were financed on a deferred-payment basis; the minimum period was 4 years for commodities originating in nondollar countries, and 8 years for those originating in dollar countries. In July 1957 imports of other machinery considered to be capital goods were subjected to the same regulations.

[45] The par value of the Argentine peso (18 pesos to the U.S. dollar) was agreed to by the International Monetary Fund on Jan. 10, 1957. Argentina had become a member of the Fund on Sept. 20, 1956.

[46] The free-market selling rate was 37.45 pesos per U.S. dollar on Dec. 31, 1956, and 36.90 pesos on Dec. 31, 1957.

Effective in January 1958, the then existing advance-deposit requirement for imports was extended to cover a larger list of commodities. Importers were required to deposit in an Argentine bank 20 percent of the f.o.b. value of commodities imported through the official market and 100 percent of the f.o.b. value of commodities imported through the free market.[47] At the same time, the period during which the deposits could be held by the banks was increased from 90 to 120 days. Imports of fuel, newsprint, and industrial machinery and equipment, imported under the regulations discussed in the preceding paragraph, were exempted from these requirements.

Argentina's multiple-exchange-rate system involves a greater number of exchange rates for exports than it does for imports. For exports, the free-market rate is employed only for invisibles, capital, and such commodities as are not covered by the various effective rates that are based on the official rate of exchange. The resulting discriminatory rates make it possible for the Government to favor the exportation of certain commodities by purchasing the export proceeds from their sale at rates higher than those paid for the proceeds from other commodities. The different effective buying rates for foreign currencies are established by deducting from the official rate (18 pesos per U. S. dollar) surcharges of 25 percent for certain exports, including mineral oils and timber; 15 percent for breeding animals; 10 percent for certain fibers, seeds, linseed, and yerba maté; and (until early in 1958, when the surcharge was abolished) 5 percent for unwashed wool and unprocessed sheepskins. The official rate, without any deduction, is used to purchase the proceeds from numerous exports, including tanned hides, tobacco, yarns, meat, washed and combed wool, and wheat and wheat flour. In June 1958, to channel a greater proportion of export earnings through the official market, the Argentine Government increased the official valuations (aforos) on all export commodities to which they are applied. These commodities include oats; barley; rye; bran; and cake and meal products from linseed, sunflower seed, and peanuts. As applied to export commodities, the Argentine aforos establish the proportion of export proceeds that an exporter is required to surrender to the Government at the official rate of exchange. The greater the proportion of the proceeds that an exporter must sell at the official rate, the less he has left to sell at the higher free-market rate. Increase of the aforos on the commodities mentioned above involved the possibility that some of them—especially oats, barley, and rye—might be priced out of foreign markets. Since there are fixed support prices for these commodities, the exporter cannot buy them at lower prices to offset the losses resulting from the increased aforos. His only alternative is to obtain higher export prices for them.

[47] Previously these requirements applied only to commodities for which payment was made through the free market.

On May 2, 1958, the Argentine Government that came into power on May 1 temporarily suspended the issuance of all import permits and ordered the banks to open no more documentary credits with either official or free-market exchange. This drastic action—taken because of the continuing deterioration of the country's exchange and reserve position—was designed to permit the new Government to formulate major changes in its import and foreign exchange policy. Argentina soon modified the severity of the action by relaxing the restrictions on imports of petroleum products, newsprint, various types of machinery, and certain other merchandise.

On November 25, 1957, Argentina signed the final agreement for the multilateral trade and payments arrangement known as the Paris Club, which began operations on July 2, 1956. The European members of the club are Austria, Belgium, Denmark, Finland, France, the Federal Republic of Germany, Italy, Luxembourg, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom.[48] Under the arrangement, all commercial and financial payments and collections between Argentina and the other participating countries and their associated monetary areas are made in the currencies of any of them, and Argentina undertakes not to discriminate against any of the countries in administering its trade controls. Argentina's transactions with other countries are settled in U. S. dollars.

Brazil

At the beginning of the period covered by this report, Brazil adopted a new customs tariff and substantially revised its import-licensing and exchange-control regulations. In the ensuing months the cruzeiro continued to weaken, inflationary pressures increased, and business activity declined as a result of uncertainties created by the new tariff and trade regulations. During the first half of 1958—particularly toward the end of the period—the Government modified a number of exchange rates in an effort to stimulate exports of certain commodities and to restrict imports of a considerable number of commodities. Brazil's multiple-exchange-rate system, the country's principal instrument for controlling the volume and direction of its trade, is one of the most complex in the world and is subject to frequent modification. Import duties, licensing, and quantitative restrictions play a decidedly secondary role in Brazil's commercial policy.

The revised Brazilian customs tariff, which became effective on August 14, 1957, established a new nomenclature patterned on the Brussels Nomenclature, and replaced the former specific rates of duty with ad valorem rates. The duties specified in the new tariff, many of which were increased substantially, range up to 150 percent of the external

[48] Finland joined the group in April 1958.

value of the merchandise, including insurance and freight (the c.i.f. value).[49] The general surtax on imported goods was increased from 3 percent to 5 percent ad valorem.

Upon the entry into force of the new Brazilian tariff, the Contracting Parties to the General Agreement on Tariffs and Trade immediately prepared for negotiations between Brazil and contracting parties affected by the new rates and related regulations. The negotiations were designed to obtain compensation, where appropriate, for increases in rates of duty that Brazil had previously bound in the General Agreement. The modifications in Brazil's exchange-auction system, which are discussed below, will probably affect the incidence of the new tariff rates because in the calculation of import duties the rate of exchange for the conversion of the external value mentioned above will be revised each month; the rate was initially fixed at 70 cruzeiros per U. S. dollar. To facilitate comparison of the new ad valorem rates with their specific equivalents at any time, provision was made in the new tariff for listing such specific equivalents for each item.

Under the provisions of the new tariff law, a single customs-clearance tax of 5 percent ad valorem replaced the various separate charges (except excise taxes) that had previously been levied on most imported commodities in addition to the import duty. Most imports had previously been subject to an exchange (remittance) tax of 10 percent ad valorem on the official exchange rate and a social welfare tax of 4 percent of the c.i.f. value of the commodities. The former customs surtax of 10 percent of the duty was also abolished. Previously, Brazilian excise taxes on imports had been higher than those on like domestic products. Under the new law this discrimination was eliminated by making the excise taxes applicable equally to imported and domestic products.

Besides the official rate of exchange, which is used very sparingly in making payments for imports, and the fluctuating free-market rate, which is used only for certain capital transactions and nontrade invisibles, Brazil makes foreign exchange available for imports in two ways. The first method involves surcharges, which vary for different types of import payments. For some imports, the surcharges are based on bids received in the exchange auctions; for other imports, they are fixed periodically. The second method involves auction premiums, which fluctuate constantly with changes in the supply of and demand for foreign exchange. The surcharges, which are added to the official rate of

[49] Duty scales recommended for the new tariff ranged "from duty-free treatment to 10 percent ad valorem for items considered of primary essentiality to the economy, from 11 percent to 60 percent ad valorem for items competitive with domestic products that do not require full protection but are unable to compete successfully with similar imported products, and from 61 percent to 150 percent ad valorem for imports that are not considered essential, as well as for those that compete with domestic articles that require high protection." (*Operation of the Trade Agreements Program* (9th report), pp. 186–187.)

exchange to provide the effective rates, apply to preferential imports—that is, Government imports, certain payments for invisibles, and a few highly essential commodities. The auction premiums, which likewise are added to the official rate, result in very high effective rates for most imports—that is, for all imports to which Brazil does not want to accord exceptionally favorable treatment; included are many imports described as essential. Special weekly exchange auctions are held for some imported commodities—mainly goods used in agriculture, such as fertilizers and insecticides.

The new tariff and customs law that became effective in August 1957 simplified Brazil's exchange-auction system by eliminating the 5 previous categories of imports[50] and establishing 2 new categories that cover most imports. These 2 categories are (1) "general" (essential) imports, such as raw materials; and (2) "special" imports, or all commodities not specifically listed in the general category. Through the exchange-auction system used in Brazil,[51] commodities in the "general" category are subject to a much lower exchange rate than those in the "special" category. For general-category imports, which constitute approximately 90 to 95 percent of total imports under the auction system, exchange certificates (which indicate that exchange cover has been obtained) are required, but import licenses are not required. For special-category imports, licenses are required.

Under the Brazilian exchange-auction system, importers purchase foreign-exchange commitment certificates for a specific currency; for these certificates they pay a premium.[52] The certificates entitle the holder to purchase exchange at the official selling rate of 18.82 cruzeiros per U. S. dollar, or its equivalent in other currencies. The auction premium, plus the official rate, results in very high effective rates of exchange, especially for commodities in the "special" category.[53]

[50] See *Operation of the Trade Agreements Program* (9th report), p. 186.

[51] For a month after the new tariff law went into effect on Aug. 14, 1957, foreign-exchange auctions were suspended. After this introductory period, they were reestablished under the new regulations.

[52] Since the Government periodically establishes minimum premiums on the basis of previous bids, the minimum fluctuates. The level of the auction bids—which may be at or near the minimum, or much above it—depends largely upon the amounts of foreign exchange made available for the auctions. Under the system that prevailed before August 1957 the minimum premiums for soft, or inconvertible, currencies were fixed at about 20 percent below the minimum premiums for hard currencies; thus an advantage for importers from soft-currency countries was created. Under the new regulations the exchange margin was considerably reduced; this made possible, to some extent, a shift to imports from hard-currency countries.

[53] On Dec. 31, 1957, for example, the effective rate for general-category (essential) imports amounted to more than 90 cruzeiros per U.S. dollar—the official rate (18.82 cruzeiros per U.S. dollar) plus the auction premium for that date of more than 75 cruzeiros. For special-category imports the effective rate amounted to 246.82 cruzeiros—the official rate (18.82 cruzeiros per U.S. dollar) plus the auction premium of 228 cruzeiros.

Certain basic imports are exempted from the exchange-auction system. They continue, as they did before August 1957, to receive preferred exchange treatment based on the official selling rate of 18.82 cruzeiros per U. S. dollar plus relatively small surcharges. Government payments, certain Government imports, wheat, most petroleum products, and imports of commodities for the petroleum and printing industries are the principal items subject to the official rate plus surcharges. On December 31, 1957, the surcharge was 32.50 cruzeiros per U. S. dollar for all the commodities mentioned above except the petroleum products, for which the surcharge was 35 cruzeiros. Newsprint was the only major import commodity subject to the official rate without surcharge. In June 1958, however, Brazil subjected newsprint to a surcharge of 40 cruzeiros, and applied the same surcharge to certain publications, wheat, petroleum derivatives, certain equipment for the petroleum industry, and certain invisibles. For imports of fertilizers, insecticides, certain equipment for the printing industry, and for certain invisibles not subject to the lower surcharges, Brazil also made foreign exchange available at a surcharge of 51.18 cruzeiros; the addition of this surcharge resulted in an effective rate of 70 cruzeiros per U. S. dollar.

When the Government purchases foreign-exchange proceeds from exporters, it does exactly the opposite from what it does in selling foreign exchange for imports; that is, it pays the official rate of exchange plus bonuses. These bonuses vary, depending on the category of the export commodity involved; before June 10, 1958, they also varied with the kind of foreign currency that was purchased. The bonus for each category of export commodity was higher for fully convertible currencies and "multilateral" currencies than it was for inconvertible currencies.[54] In June 1958, however, Brazil applied the same effective export rates (the former rates for convertible currencies) to all currencies.

Most Brazilian exports are now classified in 4 categories. Under the June 10, 1958, revision of the exchange system, the proceeds from all exports in these 4 categories are purchased at the official rate of 18.36 cruzeiros per U. S. dollar or the equivalent in other currencies, plus a bonus in cruzeiros. The bonus—and consequently the effective rate of exchange—is lowest for commodities that are relatively easy to market abroad, and higher for commodities that are more difficult to sell. The first category includes only coffee, for which the effective export rate

[54] In Brazil's exchange system, multilateral currencies are those of the European countries with which Brazil has multilateral payments arrangements under the Hague Club, namely, Austria, Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, the Netherlands, and the United Kingdom. Settlements with these countries may be made in the currency of any one of them. Settlements with countries with which Brazil has bilateral payments agreements are made through special accounts. Settlements with countries in neither of these two groups are usually made in U.S. dollars or other fully convertible currencies.

is 37.06 cruzeiros per U. S. dollar—the same as that before June 10, 1958, for convertible currencies. The second category, which formerly included cacao and derivatives, raw cotton, and leather, now includes only cacao and derivatives; the effective rate for this group is 43.06 cruzeiros per U. S. dollar—also the same as it previously was for convertible currencies. The third category, with a new effective rate of 70 cruzeiros per U. S. dollar, compared with the former rate of 55 cruzeiros for convertible currencies, includes cotton linters, waste, and residue; leaf tobacco; castor beans and seed; manganese ore; pine lumber; raw hides; and some other items. To the fourth category, which includes all products not in the other 3 categories or on the free-market list, an effective rate of 92 cruzeiros per U. S. dollar is applied, compared with the former effective rate of 67 cruzeiros for convertible currencies.

Besides these 4 export categories, Brazil maintains a fluctuating free-market rate for incoming capital, invisibles, and a few other items that are not cleared through the official market. Under the revision of June 10, 1958, Brazil announced that exchange proceeds derived from exports of precious and semiprecious stones, as well as from exports of books, magazines, and newspapers printed in Brazil, may be negotiated in the free-exchange market. The rate paid for exchange in the free market is considerably higher than the rate paid for most export proceeds at the official rate plus the bonuses.

Chile

During the period covered by this report, Chile continued, as in other recent years, to restrict imports to an absolute minimum because of the country's adverse external financial position. This it did by frequently and sharply increasing the advance deposits required for imports, by increasing the surcharges on import duties, by increasing the import duties on a number of commodities, and by compensating in other ways for reduced export earnings, which resulted mainly from lower world prices for copper.[55]

Of all the countries that have recently employed the advance-deposit system to discourage imports, Chile has made the most extreme use of it. Although imports into Chile are not subject to licensing, they are subject

[55] In April 1956 Chile eliminated the system of fixed multiple-exchange rates and established a single rate of exchange—the bank rate—which is permitted to find its own level. All imports and exports, most other transactions related to trade, and Government transactions are subject to the bank rate. Capital transactions and other invisible transactions are handled in the brokers' free market. In April 1956 Chile also eliminated import and export licensing. While these actions represented a substantial relaxation of trade restrictions, other forms of restriction soon took their place. Notable among these were the regulations relating to advance deposits, which were adopted after the country experienced a sharp increase in imports and a decline in export earnings, during the second half of 1956 and the first half of 1957.

to the requirement of an advance deposit fixed as a percentage of the value of the import, for which a certificate is issued. Such a certificate is required by the authorities before they will supply the necessary foreign exchange and authorize shipment of the goods from the country of origin. Only goods on a "permitted" list may be imported. On May 26, 1958, Chile increased the deposit requirement for all imported products to 10,000 percent. This action was designed to eliminate all imports pending the adoption of new regulations.

The new regulations became effective early in June 1958. Under the new system, advance deposits are not required for duty-free imports. Besides goods imported on a deferred-payment basis—for which the required advance deposit is the downpayment—the regulations establish 10 categories of commodities for which advance deposits are required. The advance deposit for each category is a specified percentage of the value of the imports stated in Chilean pesos, converted at a rate of exchange determined weekly. The percentages established are 5, 50, 100, 150, 200, 400, 600, 1,000, 1,500, and 5,000. The lowest advance deposit, that of 5 percent, applies to such highly essential commodities as crude petroleum, fuel oil, natural rubber, raw sugar, and pulp. The advance deposit of 5,000 percent applies to such goods as motor vehicles, office machines and equipment, linoleum, and clocks and watches. Examples of the types of goods subject to other rates of advance deposit are manila and jute fiber, 50 percent; aluminum, nickel, tin, and zinc, 100 percent; tires and tubes for motorcycles, 150 percent; lead, tobacco, and synthetic fibers and yarns, 200 percent; refined sugar and photographic film, 400 percent; agricultural machinery and equipment, 600 percent; specified types of sporting goods and certain industrial machinery, 1,000 percent; and specified types of sporting goods and construction material, 1,500 percent.

Inasmuch as the required temporary deposit of 10,000 percent (in effect during the latter part of May and early June 1958) was regarded as sufficiently high to eliminate all imports, it is apparent that such high advance deposits as 1,000, 1,500, and 5,000 percent would virtually exclude from entry nonessential and luxury commodities. Even the required deposits of 400 and 600 percent are sufficiently high to severely restrict imports of commodities usually regarded as essential. The requirement of a "certificate of necessity" for those products that compete with domestic products—including fresh fruits, oilseeds, raw tobacco, wheat flour, and a large number of other commodities—adds considerably to the restrictive effect of the advance-deposit requirement, especially for imports from hard-currency countries. The deposit period was fixed at 30 days for categories of imports subject to advance deposits of 5 percent and 50 percent, and at 90 days for the remaining categories. The 90-day deposit requirement does not apply to imports from soft-currency countries with which Chile has favorable trade balances under bilateral trade and payments agreements. Smaller industrial plants, such as certain cotton mills, which could operate adequately under a 30-day deposit requirement, have encountered serious difficulties because they lack the capital to finance themselves for a longer period. Under existing regulations they cannot obtain loans for a 90-day period, since the Central Bank of Chile limits extension of credit to 30 days.

In March 1958 Chile increased the basic import duties on 34 items in its tariff schedule. Included were mechanical or chemical pulp, petroleum for diesel engines, tires and tubes, tea, sugar, certain cloths and yarn, a number of chemical products, certain machines and apparatus, and a number of paper or paperboard items. Commodities in certain tariff items, including some commodities on which the duties were increased, are also subject to a surtax of 3 percent of their c.i.f. value; other commodities are subject to a surtax of 28 percent of their c.i.f. value.

Chilean import duties are expressed in gold pesos of constant value, but are paid in paper pesos. To maintain the same relation to the U. S. dollar for both gold and paper pesos, Chile levies a surcharge on its import duties.[56] As the paper peso declines in value, the surcharge is increased. Thus, the import surcharge was increased from 11,900 percent to 12,750 percent in September 1957, to 13,900 percent in December 1957, and to 15,610 percent for the first half of 1958.[57]

Since December 1956, the surcharge rate for exports has been maintained at 1,140 percent. In February 1958, in an attempt to stimulate exports, Chile freed all exports, except those of mining products, from payment of export duties. At the same time, it exempted export products from payment of all internal taxes except territorial taxes and income taxes, and increased the tax on the purchase of foreign exchange from 1 percent to 2 percent.

Finland

On June 13, 1957, Finland adopted legislation which freed from control almost 60 percent of its imports from Western European countries. The law did not apply to imports from the dollar area, and Finland made it clear that the provisions of the law would not become effective for imports from European countries until those countries had agreed to

[56] The Chilean paper peso has a par value (established in 1953) of 110 to 1 U.S. dollar; but under Chile's present exchange system, this valuation is not employed in any transactions. The selling rate (banking free-market rate) for imports was approximately 547 pesos per U.S. dollar on Dec. 31, 1956; 693 pesos per dollar on Dec. 31, 1957; and 744 pesos per dollar on May 12, 1958.

[57] A specific import duty of 1.50 gold pesos on an article would (at 15,610 percent) convert to 234.15 paper pesos. The customs appraisal charge, the storage charge, the warehousing tax, and other taxes based on the import duty could add as much as 20 percent to the duty expressed in terms of paper pesos.

certain Finnish proposals. At the time the law was passed Finland was negotiating with 12 Western European countries to substitute for its bilateral trade and payments agreements a system of global quotas and multilateral payments. What Finland proposed to do, in other words, was to establish a "Helsinki Club," similar to Brazil's Hague Club and Argentina's Paris Club and involving (more or less) the same European countries.[58] The participating countries were to be Austria, Belgium, Denmark, France, the Federal Republic of Germany, Italy, Luxembourg, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom.[59] These countries already constituted an exchange-arbitrage group for handling payments within the group on a multilateral basis. By association with the group, Finland hoped to obtain some of the advantages of membership in OEEC and EPU without accepting certain of the obligations of such membership.

The conditions set forth in Finland's law of June 13, 1957—which were aimed clearly at the countries of the Western European arbitrage group without naming them—were (1) that the listed commodities were to be freed from import controls if they originated in and were purchased from countries that do not maintain quantitative restrictions on imports from or exports to Finland and that grant Finland currency-transferability rights; (2) that Finland might maintain controls over the listed commodities when they were imported from the dollar area; (3) that Finland might restrict imports from any country that discriminates against Finnish trade; and (4) that certain specified commodities would remain subject to existing import controls. The new law was intended to indicate that Finland was prepared to eliminate its trade controls if the countries with which it was negotiating would abandon their bilateral arrangements with Finland and accept its proposed global-quota system.

Under strong pressure from Finland, the other negotiating countries agreed to accept Finland's new global-quota system, which implied elimination of the bilateral quota lists. They also agreed to apply their OEEC or other trade liberalization lists to their imports from Finland, and to accord traditional and nondiscriminatory treatment to commodities not included in such lists. They further agreed to remove any restrictions on their exports to Finland, and to grant Finland unlimited transfer rights with respect to currencies of members of the Helsinki Club. Finland, in turn, agreed to be liberal in granting licenses for exports to the participating countries.

Because of its deteriorating foreign-exchange position, Finland early

[58] Finland itself joined the Paris Club in April 1958.

[59] This group of countries includes all the OEEC countries except Greece, Iceland, Ireland, Portugal, and Turkey. In March 1958, however, Portugal signed an agreement with Finland which provided, in effect, for Portugal's participation in the Helsinki Club. Overseas territories of the Helsinki Club countries also participate in the arrangement with Finland.

in 1957 had curtailed the licensing of imports payable in currencies of the Western European countries. The cutback was expected to reduce import payments for the year by 25 to 30 percent. During the first 3 months of 1957 Finland applied the reduction under the automatic-licensing system. Beginning April 1, however, it discontinued the automatic-licensing system and charged the licenses against global import quotas, although the global-quota system had not yet been formally adopted. Although more restrictive than the automatic-licensing system, the new import-licensing system—which was based mainly on global quotas—was less discriminatory. The fact that the list of commodities subject to global quotas included more dollar commodities than had been included in the automatic list meant that there was less discrimination against dollar goods. The new multilateral arrangement, which incorporated the global-quota system, was finally ratified and officially promulgated in July 1957 for the 6-month period ending September 30, having been made retroactive from April 1. Later it was extended for 6 months more (until April 1, 1958), and again extended to the end of September 1958.

Under the global-quota system, Finland established 2 lists for licensing of fixed quantities of planned imports from the Western European countries that were participating in the Helsinki Club. The first list consisted of 64 so-called global quotas, each containing a variety of commodities. Within each quota the importer was permitted to freely select any commodity to be imported, and to indicate any of the participating countries from which he wished to import it. The second, or semirestricted list, covered 13 quotas. For commodities on this list, however, Finland determined both the commodity to be imported and the importer that would be permitted to make the purchase; as in the first quota list, the importer could choose the country of supply. Thus, with respect to the 2 lists there was to be no discrimination as to source, within the limits of the participating countries. Commodities not on either of the lists, however, were to be controlled by the Finnish authorities as to both source and quantity; no quotas were established for the commodities in this third group, e.g., coal and petroleum products. The first list covered 75 percent of Finland's imports from the participating countries (based on imports in 1954), the second list covered 10 percent, and the third group of commodities, 15 percent. Together, the 3 groups established a ceiling for imports from the participating countries of 70 to 75 percent of imports in 1956.

On May 1, 1957, Finland abolished the 10-percent advance-deposit requirement for all import-license applications. The advance-deposit system had been introduced on July 1, 1955, in part to prevent speculative imports under the automatic-licensing system, which was then being established. With the replacement of the automatic-licensing system by the system of global import quotas at a reduced level of imports, the Government considered the advance-deposit system no longer necessary.

In the operation of the global-import-quota system, designated goods from the dollar area were to be accorded nondiscriminatory treatment in the issuance of import licenses—that is, such commodities were to be licensed freely within the limits of the quotas. Included were production machinery, raw materials and auxiliary materials for the production of steel, raw materials for the chemical industry, materials for the paint industry, materials for electrical installations, printing materials, office machinery, sewing machines, pharmaceutical products, and materials for the pharmaceutical industry. Other dollar commodities were to be accorded "limited" favorable treatment, depending on the commodity or on the previous pattern of imports.

On September 15, 1957, Finland devalued its currency by 39 percent (from 230 to 320 markkas per U. S. dollar) and abolished its multiple-currency practices. To compensate for the devaluation of its currency, Finland increased its specific import duties, in most instances by 39 percent. The increases were approved by the Contracting Parties to the General Agreement on Tariffs and Trade. A few specific rates of duty on such commodities as foodstuffs and raw materials were not changed, or were increased by less than 39 percent. To protect some domestic industries—chiefly the dairy, vegetable-oil, textile, metal, and engineering industries—certain import duties were increased by more than 39 percent. Such increases, however, will not become effective for concession items in Finland's schedule of the General Agreement until they are approved by the Contracting Parties.

Finland's currency devaluation was designed primarily to bring domestic costs more nearly into line with world prices, and thereby to stimulate exports. Because the devaluation would also automatically increase the cost of imported goods, Finland was in a better position than before to relax its import restrictions. On October 1, 1957, when the 6-month extension of the multilateral arrangement with the Helsinki Club became effective, Finland took its first major step in trade liberalization by restoring automatic licensing of imports; the action applied to 72 percent of its imports from the participating countries. On December 9, 1957, Finland further liberalized its trade by abolishing the licensing requirement for most of the 72 percent of its imports that had been placed under automatic licensing on October 1.[60] The liberalization of December 9 involved about 37 percent of Finland's total imports, including those under bilateral agreements. By subsequent action, notably that in February 1958, Finland added other products to the list of com-

[60] The commodities had been admitted freely under the system of automatic licensing. Actual liberalization, however—as practiced by the OEEC countries—consists of completely eliminating the licensing requirement.

modities that could be imported without license, thus bringing to 82 percent the level of liberalization for imports from countries participating in the Helsinki Club. A few commodities imported from these countries were not freed from the licensing requirement, but remained subject to automatic licensing; the rest continued to be subject to full licensing control or to global quotas fixed unilaterally by Finland. The system of global quotas, which had been such an important feature of Finland's import policy during most of 1957, virtually disappeared as far as imports from the Western European countries were concerned.

Finland's imports from the dollar area still are much more strictly controlled than those from nondollar sources. As a general policy, dollar payments are limited approximately to dollar income. For its dollar income, Finland depends mainly on sales of woodpulp and paper products; in dollar markets, however, such commodities face competition from United States and Canadian woodpulp and paper products.

Since November 1, 1957, nonliberalized imports into Finland from Western European countries—that is, imports of those few commodities that are subject to quota—have included some commodities for which imports against payment in free dollars are allowed within the entire quota.[61] Included are raw materials and semifinished products for the tobacco industry; cutlery; sewing equipment; glass and ceramic products for household use; articles for sports; musical instruments; window glass; electrical-installation materials; office machines; trucks and special vehicles; and spare parts for industrial and transport equipment. Imports of certain other commodities are permitted against payment in free dollars only on a limited scale—that is, within a subquota.[62] Included are materials for the chemical industry, chemical products, window glass, tools for industry, iron and steel manufactures, and passenger automobiles.

In December 1957 Finland published a list of commodities that would be licensed automatically when both the exporting country and the country of origin belong to the dollar area; in April 1958 it made further additions to this list. The complete list included chemical preparations and medicinal products, artificial fibers, ferroalloys, sewing machines, various hand tools, machine tools, machinery and apparatus for the paper-manufacturing industry, certain electrical equipment, industrial trucks, automobile chassis with motors,[63] medical and surgical instruments, raw materials for tanning, vegetable juices, certain petroleum products, and

[61] Free dollars are those whose transfer is neither restricted nor blocked.

[62] No dollar subquotas are fixed in advance. Licenses are issued, and the total quota is apportioned in accordance with the applications received from the Western European participating countries and with the traditional shares of the Finnish market accounted for by the exporting countries and the importers.

[63] Passenger automobiles from the dollar area are admitted into Finland only under a subquota of the quota assigned to Western European suppliers.

red clover seed. There is no definite information on the proportion of dollar imports that are subject to automatic licensing.[64] Commodities not on the automatic-licensing list, and not subject to global quotas with open or restricted dollar availability, are subject to full quantitative import controls—that is, to quotas and to nonautomatic licensing.

Indonesia

On June 20, 1957, to reduce imports, conserve foreign exchange, and encourage exports, Indonesia drastically reformed its complicated exchange-rate system.[65] The new system corrected the overvaluation of the previous rates of exchange and very soon resulted in a sharp reduction of imports. Export proceeds, however, did not increase as expected. In part this resulted from the failure of a large number of traders—especially those in outlying islands and in parts of Indonesia in revolt against the Central Government—to surrender their export proceeds to the central authorities. A 25-percent decline in the price of natural rubber (one of Indonesia's principal export commodities), combined with a decline in the output of rubber, also contributed to Indonesia's inability to increase its export earnings. Other factors that militated against the Government's campaign to increase exports were a greatly augmented money supply and the new import regulations, which resulted in a shortage of goods. The danger to Indonesia's export trade was that internal prices would increase so greatly that the country's ability to compete in world markets would be further impaired.

Under Indonesia's exchange-rate system that was in operation before June 20, 1957, exporters of most goods received, in addition to the face value of their export earnings at the official rate of exchange,[66] an export-incentive certificate that ranged in value from 2 percent to 20 percent of the foreign exchange surrendered, depending on the export commodity involved. These certificates, which were required to be used in payment for certain imports and invisibles, could be sold to importers at the market price. Under the system that was put into effect on June 20, 1957, an export-certificate market was introduced which enabled exporters to dispose of their export earnings under much more favorable

[64] When the first automatic-licensing list for the dollar area was published in December 1957, it was estimated that about 46 percent of dollar imports (based on statistics for 1956) were subject to automatic licensing.

[65] See *Operation of the Trade Agreements Program* (10th report), pp. 152–153. Some of the details of the new system that was introduced in June 1957 were not available when the 10th report was prepared; therefore they are covered in this report.

[66] Indonesia's currency unit, the rupiah, has no par value. The basic rate is 11.40 rupiah per U.S. dollar; the official buying rate is slightly below the basic rate; and the official selling rate, slightly above. So far as their application to foreign transactions is concerned, all these rates are nominal. The effective rates are derived from the fluctuating rate for export certificates.

terms; also, it was designed to so increase the cost of foreign goods as to reduce imports and effect large savings in foreign exchange.

Under this new system the exporter receives an export certificate expressed in rupiah which is equivalent to the face value of the foreign exchange surrendered. Instead of being paid only a fraction of the total value of the export shipment in the form of a negotiable certificate, as under the old system, the exporter is paid in a certificate that represents the full value of his proceeds. This certificate can be sold to importers on the free market, where the price of the certificate is allowed to fluctuate.[67] The seller of the certificate, however, actually receives only 80 percent of the proceeds from the sale, since the Government exacts a 20-percent tax on the sale of certificates.[68] This tax replaced the various export duties previously in effect.

Indonesia's new export-import regulations represented a considerable de facto devaluation of the rupiah, although officially there was no devaluation of the currency. The most pronounced immediate effect of the regulations was to greatly increase the cost of imports because of the combined effect of high surcharges for exchange and the greatly increased basic cost of the exchange itself. The increased cost of exchange results from the fact that the price which the importer must pay for foreign-exchange certificates incorporates the high premium that the exporter receives in rupiah from his export sales; the price of imports, of course, is increased by a similar amount.

Imported goods were formerly divided into 9 groups, ranging from essentials to superluxuries, for the purpose of determining additional import surcharges, which amounted to as much as 400 percent of the official rate of exchange for the highest category of imports. Under the new regulations the number of groups was reduced from 9 to 6, and the maximum surcharge was reduced from 400 percent to 175 percent. Only such highly essential imports as rice and raw cotton could be paid for under the new system at the certificate rate without a surcharge. Commodities in the other 5 groups, ranging from essential to luxury goods, had to be paid for at the certificate rate plus surcharges of 20, 50, 100, 140, and 175 percent, respectively, calculated on the certificate rate.

[67] Although supposedly determined by the free operation of the ordinary forces of the market, the price is controlled to a considerable extent by Bank Indonesia.

[68] As shown by the following examples, the exporter stands to gain much more under the new system than under the old. Assuming, under the old system, that an exporter with proceeds of $1,000 sells them to the exchange-control authorities for Rp11,400 (at the basic rate of Rp11.40 per U.S. dollar) and receives, in addition, an export certificate for 10 percent of his proceeds, or $100, which he is able to sell at a 225-percent premium, or Rp2,565, his total return for the $1,000 would be Rp13,965. Under the new system, the exporter would receive an export certificate with a face value of $1,000, or Rp11,400. Assuming that he sold the certificate at a 215-percent premium, he would receive Rp24,510, less the 20-percent tax, or Rp19,608. Thus, he would receive Rp5,643 more under the new system than he would have received under the old—a gain of 40.4 percent.

However, the cost of exchange to importers became much greater even for goods in the maximum-surcharge category because the surcharge, though smaller than formerly, is computed on the actual market cost of the exchange certificates, which must equal the face value of the imported commodity multiplied by the certificate rate. The total duty charges also became much greater because the ad valorem rate is calculated on a higher base.[69]

Indonesia formerly required advance deposits for the issuance of import licenses (all imports into Indonesia are subject to licensing), but this requirement was abolished in June 1957 when the new exchange system was established. Actually, however, the principle of requiring advance deposits was continued. Instead of making advance deposits, importers were required to deposit guaranty money amounting to 20 percent of the c.f.[70] value of their imports; in February 1958 the requirement was increased to 100 percent. If a license issued for the purchase of an exchange certificate is not used within a stated period, 10 percent of the guaranty money is subject to forfeiture.

Another restriction on imports that Indonesia has employed for some years results from the requirement that most importers, to engage in the import business, must deposit a specified sum with the Foreign Exchange Fund. Importers that are not nationals of Indonesia must make a deposit 10 times as large as that required of nationals.

Iran

In general, Iran follows a liberal import policy. Since 1956, when it abandoned the multiple-exchange-rate system, it has maintained a single exchange rate for all transactions. Import licenses are issued automatically for permitted imports. Iran's principal device for restricting imports consists of a list of prohibited imports. However, commodities appearing on this list may in fact be imported in specified quantities from countries with which Iran has bilateral trade and payments agreements, provided such commodities are listed in the agreements. Exchange is allocated freely for commodities that are not on the prohibited list. Iran prohibits

[69] Assuming, under the old system, a commodity in the maximum-surcharge category (400 percent) with a value of Rp50,000 and an import duty of 30 percent ad valorem, the cost of the commodity to the importer would be Rp50,000, plus a surcharge of Rp200,000, plus a duty of Rp75,000, or a total of Rp325,000. Under the new system, using the same assumptions as before with respect to the value of the product and the rate of duty, but with the new maximum surcharge of 175 percent instead of 400 percent, and the addition of an exchange-certificate rate, here assumed to be 225 percent, the cost would be as follows: Rp50,000 multiplied by the certificate rate of 225 percent (=Rp112,500), plus the surcharge of 175 percent (=Rp196,875), plus the duty of 30 percent on the cumulative total (=Rp92,813 duty), making a total cost to the importer of Rp402,188. This represents an increase of 23.7 percent over the old total.

[70] Cost and freight; insurance is covered in Indonesia.

imports of some commodities for protectionist reasons, and the import tariff is employed for protection as well as for revenue.

Each year, in announcing its import program, Iran publishes a list of importable commodities, with the import duties and quotas applicable to them. For the period March 21, 1957–March 20, 1958 (the Iranian year 1336), Iran abolished import quotas for individual commodities and established an overall, or global, quota. It also removed about three-fourths of the items from the list of prohibited imports. Some of the more important items removed from the list were fresh, dried, and canned fruits; jams; candies; toilet soap and other toilet preparations; certain paints and varnishes; leather and leather products; certain items of readymade clothing; and smoking accessories.

Iran's import program for the year beginning March 21, 1957, reflected the country's improved foreign-exchange position and its decision to encourage imports as part of its program to reduce the prices of consumers' goods. Since the removal of so many commodities from the prohibited list resulted in competition for domestic producers from imported commodities, Iran provided protection for them by levying a new commercial-profits tax on commodities removed from the prohibited list. The tax, which has no domestic equivalent, is in the nature of a luxury tax and is in addition to the regular import duties. For a number of years Iran has imposed two charges on imported commodities in addition to the regular import duties. One of these—for sanitary services—amounts to one-half of 1 percent of the invoice value; the other, for the encouragement of exports, amounts to one-tenth of 1 percent.

Japan

Japan controls its import trade by establishing semiannual exchange budgets that fix the amount of exchange available for imports of authorized commodities.[71] Individual import licenses are required for virtually all imports. Imports of foodstuffs, raw materials, and other essential commodities are licensed under the exchange-allocation system. Under this system, importers receive foreign-exchange-allocation certificates. In most instances these certificates entitle them to import specified commodities without regard to the country of origin or the currency of settlement. Commodities not covered by the exchange-allocation system are licensed under the automatic-approval system. Under this system, licenses for the importation of specified commodities may be issued freely on application, provided budgeted exchange is available. For about 40 percent of the commodities covered by the automatic-approval system, the licenses specify the currency in which payment must be made; the other 60 percent may be paid for in any currency.

[71] The budget periods extend from Apr. 1 to Sept. 30 and from Oct. 1 to Mar. 31.

As a condition for obtaining foreign exchange, Japan requires applicants for most import licenses to deposit collateral amounting to a specified percentage of the value of the proposed transaction. The advance-deposit regulations, however, have been changed frequently. Effective May 1, 1958, for example, the advance deposits required of importers were greatly reduced. The new rates ranged from 1 to 5 percent of the value of the goods to be imported, compared with the old rates of 10 to 35 percent. Under the new regulations, the entire advance deposit is subject to forfeiture if the transaction is canceled, compared with 20 percent that was subject to forfeiture before May 1, 1958. The new regulations were considered to be an important part of the Government's general program to relax Japan's tight-money policy in an effort to improve the country's balance-of-payments position.

Changes in the size of Japan's foreign-exchange budget indicate the changes in the country's balance-of-payments position. The budget for the period October 1, 1957–March 31, 1958, which was somewhat smaller than that for the preceding 6-month period, represented an attempt to balance the country's payments and receipts and to build up its foreign-exchange reserves. The exchange budget for April 1–September 30, 1958, was slightly larger than the preceding one, although it was much smaller than that for the corresponding period in 1957. The heaviest reductions in the new exchange budget, which involved imports for industries that were experiencing depression, called for reduced imports of raw materials for the textile and chemical industries; of coal, iron, and steel for heavy industries; and of machinery. Allocations for imports of crude oil were increased substantially. Those for imports of wheat were increased, although in general the exchange budget for foodstuffs and beverages was reduced.

Japan's external financial position continues to benefit from special procurement receipts, but such receipts currently are much smaller than they were in the early and middle 1950's. These receipts consist principally of (1) dollar income arising from purchases of commodities in Japan by the United States International Cooperation Administration for export to countries in southeast Asia that are beneficiaries of United States aid; (2) dollar deposits by United States Armed Forces in Japan for procuring goods and services within the country; and (3) dollar spending by members of the United States Armed Forces and by civilians attached to the Armed Forces. For foreign-exchange income, Japan depends heavily on its exports to Western countries. Some of its major exports, however, have encountered considerable resistance in foreign markets, as is indicated, for example, by the refusal of a number of contracting parties to the General Agreement to negotiate tariff concessions with Japan and to apply the agreement to Japan when it acceded in September 1955.[72]

[72] See ch. 2 of this report.

Like many other countries, Japan grants favorable credit terms to exporters in the form of export credit guaranties. During 1957, in an effort to combat a relatively mild economic recession by stimulating exports, Japan offered more liberal credit terms to exporters.

For several years after World War II, bilateral trade and payments agreements were a conspicuous feature of Japan's commercial policy. Recently, however, Japan has endeavored to reduce its reliance on bilateral agreements of the type that undertakes to achieve balanced trade between the parties to the agreement. To replace such agreements, Japan in 1957 negotiated a number of trade agreements providing for settlements in convertible or transferable currencies. In these agreements, sterling is more commonly designated for transfer purposes than is any other currency and, in some instances, has replaced the dollar. Increased reliance on sterling, aside from being more convenient in Japan's trade with Western European countries, reflects doubt regarding Japan's future ability to earn dollars.

In an effort to forestall import restrictions on certain of its exports to the United States and other Western Hemisphere countries, Japan voluntarily maintains export controls on certain commodities. These controls, which are officially represented as an effort to achieve more orderly marketing of the commodities, apply to certain textile products, plywood, stainless-steel flatware, and certain other commodities. For the July–September quarter of 1957, Japan tightened its controls on exports of plywood to the United States and other Western Hemisphere countries.

Paraguay

During the period covered by this report, Paraguay made important changes in its system of trade controls. On August 12, 1957, it abandoned its multiple-exchange-rate system[73] and certain other trade controls, and established a free-exchange market. Already, in March 1956, at the suggestion of the International Monetary Fund, Paraguay had simplified its highly complex foreign-exchange system but had retained the multiple-exchange feature, although in greatly abbreviated form; it had also tightened bank credit and instituted other anti-inflationary measures. At that time it had devalued the guarani from a par value of 21 guaranies to 60 guaranies per U. S. dollar, but had not applied the new rate to any transactions under the exchange system then in operation.

Under the reform measures of August 1957, Paraguay eliminated

[73] For nearly 30 years Paraguay has experienced continuous inflation, one effect of which has been to overprice Paraguayan products in the international market. Paraguay's elaborate multiple-exchange-rate system was designed to combat this situation by encouraging exports, by keeping down the cost of essential imports, and by drastically restricting imports of nonessential and luxury goods. Before the exchange system was simplified in March 1956 there were 21 different exchange rates, ranging from 21 to 75 guaranies per U.S. dollar.

exchange controls and established a single fluctuating rate of exchange for all transactions in foreign currencies. Thereafter the value of the guarani fluctuated between 90 and 115 guaranies per U. S. dollar. It was anticipated that after a transitional period, during which the guarani was to be free to find its own level, a new par value would be established for it. To support its new exchange system, Paraguay concluded an 11-million-dollar standby arrangement with the International Monetary Fund and the United States Treasury.

Before August 12, 1957, imports could enter Paraguay only after the importer entered into an exchange contract that was, in effect, an exchange-and-import license. After that date, imports were no longer subject to this restrictive type of control. Paraguay did, however, retain the advance-deposit system for imports, with the intention of abandoning it as soon as the country's external financial position had reached equilibrium. For the purpose of determining the advance deposit for various classes of imports, 5 categories of goods were established. As originally established in August 1957, the required advances for the 5 categories were, respectively, 5, 50, 100, 300, and 400 percent of the f.o.b. value of the commodities. In March 1958 the required deposits for the first 3 categories were increased to 10, 60, and 110 percent, respectively. At about the same time a number of commodities were transferred from the categories requiring smaller deposits to the categories for which larger deposits were required. Included in the transferred commodities were sewing machines, certain motor vehicles, and certain textiles and textile products. Advance deposits were not required for imports of wheat, wheat flour, petroleum fuels, newsprint, and certain other imports; or for imports from Argentina, Bolivia, Brazil, and Uruguay. The reforms of August 1957 involved only one change regarding exports. At that time a 15-percent ad valorem tax was levied on exports; the tax was to be eliminated at the rate of 1.25 percent per month during 1959.

Paraguay's 1946 trade agreement with the United States is on a bilateral basis. The duties that Paraguay bound to the United States in that agreement were established when the Paraguayan guarani had an exchange value of 3 gold guaranies to the U.S. dollar, compared with a current value of about 110 paper guaranies to the U.S. dollar. Paraguay has never increased the import duties on its trade-agreement items to compensate for the greatly reduced exchange value of its currency. In 1952, however, Paraguay increased the specific duties on nonconcession items to compensate for the depreciation of the guarani.[74] In June 1958

[74] In September 1952 Paraguay increased all specific duties (except those on wheat and wheat flour and on items in its bilateral trade agreements) by 400 percent, or 5 times the original duties. This meant that, in terms of United States currency, a rate of 15 guaranies per U.S. dollar replaced that of 3 guaranies per U.S. dollar. Additional ad valorem rates on nonconcession items were increased from 6 percent to 8 percent and from 11 percent to 15 percent.

it went still farther and adopted a system—described below—for converting specific duties to take account of the depreciation of the guarani.

Under this system, Paraguay, by use of a foreign-currency conversion table issued each month, converts into U.S. dollars (which in this procedure serve simply as units of account) the specific duties on virtually all nonconcession items. To determine the amount of the duty to be imposed, the dollars are then converted into guaranies at the rates specified in the conversion table.[75] The stated purpose of this practice is to enable the Government to obtain the same revenue, in terms of purchasing power, as was yielded by the old duties when the Paraguayan currency had a much higher exchange value. Duties bound against increase in bilateral trade agreements are exempted from the application of the conversion rates. In June 1958 Paraguay also imposed an additional import duty of 15 percent ad valorem on certain items of wearing apparel.

Peru

For some years Peru has maintained exchange stability by purchasing surplus supplies of dollar certificates, which represent export proceeds, at the rate of 19 soles per U.S. dollar, and by selling exchange at the same rate during periods of shortage. Thus, in effect, it pegged the certificate rate at 19 soles per U.S. dollar.[76] Because of this stability, Peru's currency could be described as substantially convertible,[77] and in exchange practices Peru moved into a twilight zone between countries of the dollar and those of the nondollar category. At the same time, Peru continued to employ—although in a relatively mild form—the types of trade controls characteristic of countries that do not have freely convertible currencies. It imposed quotas on imports of some commodities (especially motor vehicles), maintained a multiple-exchange-rate system, and levied higher import duties on less essential commodities than it did on those that were

[75] For example, a specific duty of 10 guaranies had already been increased fivefold, or to 50 guaranies, by the action of September 1952. By the action of June 1958 a 50-guarani duty is converted into U.S. dollars at the rate of 15 guaranies per dollar (see preceding footnote), or to an equivalent of $3.33. Application to the 50-guarani duty of the conversion rate of 105 guaranies per dollar (the rate established in June 1958 in the conversion table for the following month) results in a duty of 350 guaranies.

[76] In 1946 the Peruvian sol was assigned an initial par value of 6.50 soles per U.S. dollar. Under Peru's present exchange system, this par value has not been applied to any transactions. However, Peru's action in establishing, but not using, a par value for its currency illustrates a general observation made by the International Monetary Fund: "Several Fund members have found unsatisfactory the complex multiple currency systems with which they have been experimenting for varying periods of time; however, finding it difficult to change immediately to a unitary fixed rate system governed by a par value, some of them have in recent years tried to ease the transition by first establishing a free exchange market in which the rate is allowed to fluctuate. Peru established two such free markets in 1949, . . ." (International Monetary Fund, *Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1958*, p. 131.)

[77] See *Operation of the Trade Agreements Program* (8th report), p. 134, footnote 4.

more essential. These controls were designed primarily to restrict imports for balance-of-payments reasons.

During 1957–58, Peru's external financial position deteriorated; in January 1958 its reserves of gold and foreign exchange reached the lowest level in 8 years. This situation resulted from unusually large imports during 1957, a sharp increase in foreign-exchange commitments, and declining prices of some of the country's principal exports, notably minerals and metals. At this juncture Peru, with the support of the International Monetary Fund, decided upon a new approach to its financial and trade problems. Instead of tightening its exchange restrictions, it was able—with outside financial help—to relax them. At the same time, however, Peru made more use of other forms of trade control than formerly. In January 1958 the country ceased to support its important certificate market, thus freeing the sol to find its own level. Freeing the certificate rate from control did not, however, involve abandonment of "certificate exchange" for most trade transactions. Peru continues to employ the certificate-exchange system in the sale of foreign exchange for most imports and certain invisible items and in the purchase of export proceeds in U.S. dollars and sterling. Foreign exchange derived from exports is converted into exchange certificates; these certificates are negotiable in the certificate market and may be used for merchandise imports and certain nontrade transactions. For imports and exports not covered by the certificate rate there is also a fluctuating draft market rate.

Once the sol had been freed from control it was clear that Peru could not expect to maintain the value of its most important currency—the certificate sol—at anywhere near its former pegged value without outside financial assistance. With outside help, however, Peru hoped to maintain an orderly exchange-certificate market with a minimum of import restrictions. The assistance immediately made available to Peru amounted to 60 million dollars—25 million dollars from the International Monetary Fund as a standby fund on which Peru is free to draw; 17.5 million dollars arranged for in an exchange agreement with the United States Treasury; and 17.5 million dollars in credit negotiated by Peru with a number of private United States banks. Following the decision to permit the Peruvian sol to find its own level, the certificate rate declined somewhat as Peru's gold and foreign-exchange reserves declined. To strengthen its stabilization program, the Peruvian Government initiated a series of fiscal and credit measures. Such measures included instructions to banks to restrict extension of credits for financing imports of luxury items, and steps to prevent increases in the prices of such imported basic foodstuffs as flour, rice, and meat.

Of even greater significance was Peru's action with respect to import duties. In the latter part of 1957 the International Monetary Fund recommended that Peru generally increase its import duties in order to provide additional governmental revenue. The Fund also suggested that Peru might reduce the demand for dollars by increasing import duties on luxury goods. At various times during the second half of 1957 and the first half of 1958, Peru increased the specific duties on a number of items, including certain plate glass and specified types of phonograph records. It also levied an additional duty (1 percent of the c.i.f. value) on imports of all commodities except those on which it has granted concessions under the General Agreement, on commodities already on the free list, on medical and pharmaceutical specialties, and on commodities in a few other categories. Peru also exempted a number of essential commodities from import duties and other charges; included were beef and mutton offal, certain equipment for the oil industry, and sulfur. In May 1958, however, Peru fundamentally changed its policy with respect to import duties. It increased its specific duties by applying a surcharge of 50 percent to imports of general merchandise and 100 percent to imports of luxury goods; in June 1958 it increased the specific duties on luxury goods to 200 percent of the basic rate. Basic foodstuffs, medicines and pharmaceuticals, items essential to the printing industry, and special containers for milk were exempted from the duty increases.

In its tariff revision of May 1958, Peru provided for the application of the new duty increases to items listed in its schedule of concessions in the General Agreement on Tariffs and Trade. However, since the rates of duty specified in the Peruvian schedule were bound against increase, Peru did not make the new rates effective on concession items until June 9, 1958, after a special Intersessional Committee of the Contracting Parties had granted Peru a waiver of its obligations under article XII of the General Agreement.

Peru has applied import quotas very sparingly. Except for motor vehicles[78] and commodities imported from Eastern Europe and Communist China, all imports are permitted freely. Peru does not require licenses for imports, and maintains no other import controls except those implied in the separate uses of certificate exchange and draft exchange and in the relatively mild restrictions associated with the advance-deposit requirement. Advance deposits are required of importers that open documentary letters of credit through commercial banks, for all imports except wheat, meat, milk, and fats. Importers are required to deposit in foreign currency 25 percent of the value of commodities imported for production, and 50 percent of the value of all other imported commodities. For raw materials, up to 50 percent of the local currency equivalent of such advance deposits may be financed by the banks, but banks are not permitted to extend credit for nonessential imports.

[78] Peru's motor-vehicle import quota for 1958 was larger than that for 1957. However, when the country's foreign-exchange situation became acute, the quota for the year beginning Oct. 1, 1958, was reduced to 50 percent of that for the preceding 12-month period.

Uruguay

Throughout 1957–58 Uruguay experienced an acute shortage of foreign exchange. The critical exchange shortage that developed in 1957 resulted from the operation of the revised exchange system that was established in August 1956.[79] Under that system a large number of essential commodities—including basic foodstuffs, raw materials for industry, and building materials—could be imported without quota restriction and at the overvalued rate of exchange of 2.10 pesos per U.S. dollar. As a result, imports of these commodities increased greatly. With respect to exports, Uruguay's principal problem involved wool. Wool normally accounts for nearly 60 percent of Uruguay's total export trade, but at the close of the 1957–58 wool-marketing season only half of that season's wool clip had been sold. Exports of wheat were abnormally small in 1957–58 because of poor harvests, and exports of meat declined sharply because of dwindling cattle herds and unprofitable operations in the meat-packing industry. Two large American-owned packinghouses in Uruguay closed down. Paralysis of the wool trade was the principal cause of the weakening confidence in the peso and the rapid decline in its value, although inflation, rapidly rising living costs, and growing unemployment were contributing factors.

The problem of exports, and especially the Government's failure to overcome the impasse created by the refusal of producers to sell their wool, completely dominated Uruguay's actions in the field of foreign trade during 1957–58. Because of diminishing exports and repeated declines in the value of the peso, drastic action was necessary to restrict imports. The measures taken to control imports, however, were simple and direct, compared with the numerous and largely ineffective measures adopted to stimulate exports.

Exports of wool from Uruguay virtually ceased in October 1957 (the beginning of the new wool clip), largely because producers refused to sell their wool in the face of what they regarded as wholly unsatisfactory rates of exchange. The background for this situation was the highly intensified competition in the international wool market that resulted from declining world prices for wool. Specifically, the wool producers maintained that the exchange rates applicable to the proceeds from their exports of wool did not cover costs and a normal profit. The Uruguayan Government, on the other hand, attributed the poor condition of the export market for wool

[79] See *Operation of the Trade Agreements Program* (10th report), pp. 154–155.

in large part to United States treatment of wool tops imported from Uruguay.[80]

Under Uruguay's highly complex multiple-exchange-rate system,[81] the price which the exporter receives for wool is determined (1) by the amount of dollars or other foreign exchange that he must sell to the Government at rates of exchange established by the Government, and (2) by the operation of the aforo system whereby the Government, in an effort to make the export price more competitive on the world market, establishes an official export valuation for wool at a level below the world market price. A composite export rate results from mixing two different export rates, but the effective rate—the amount of exchange which the exporter actually receives—depends on the official valuation. How this combination of the composite rate and the official valuation works in practice is shown by the actions taken in 1957–58 by the Uruguayan Government in its attempts to stimulate exports of wool.

In August 1957, just before the beginning of the new wool season, Uruguay announced that there would be no change in the formula that had been employed in the preceding year for mixing the basic directed rate of 1.519 pesos per U.S. dollar with the "certificate," or free commercial, rate of 4.11 pesos per U.S. dollar to obtain a composite rate for the various classes of wool. The result therefore was that for raw wool the composite rate would remain at 1.91 pesos per U.S. dollar, representing a mixture of 85 percent of the basic controlled rate and 15 percent of the certificate rate. For other classes of wool the composite rates reflected different mixtures (shown in parentheses) of the controlled rate and the certificate rate, as follows: Washed wool, 2.04 pesos (80 percent controlled—20 percent certificate); wool tops, 2.32 pesos (69 percent—31 percent); and combed and carded wool yarn, 3.02 pesos (42 percent—58 percent).

The continuation of the composite export rates on the same basis as for the previous season met with strong opposition from the wool producers

[80] The present United States duty on wool tops (part of par. 1106 of the Tariff Act of 1930) is 27¾ cents per pound plus 6¼ percent ad valorem. In 1953 the Treasury Department decided that the preferential exchange rate accorded by the Uruguayan Government to exports of wool tops constituted a bounty or grant within the meaning of sec. 303 of the Tariff Act of 1930. It therefore announced that, effective June 6, 1953, a countervailing duty of 18 percent of the sum of the invoice value of Uruguayan wool tops per se, plus any dutiable charges applicable to such tops, would be collected in addition to the prevailing duty (T.D. 53257). Subsequently, effective Mar. 5, 1954, the Treasury Department reduced the countervailing duty on Uruguayan wool tops to 6 percent (T.D. 53446).

[81] As of Dec. 31, 1957, Uruguay had a basic directed rate (there is no par value of the Uruguayan peso) of 1.519 pesos per U.S. dollar (or its equivalent in other foreign currencies), a "certificate," or free commercial, rate of 4.11 pesos per U.S. dollar, and a fluctuating free market rate of 4.67 pesos per U.S. dollar. For different classes of exports there were numerous other rates, based on mixing the directed rate and the certificate rate in various proportions. For different classes of imports there were also numerous rates, based on adding surcharges to the certificate rate. In April 1958 Uruguay reduced the number of export-exchange groups from 11 to 6 (see below). Actually, about 35 different effective export-exchange rates had been possible under the old system, most of which represented mixed rates.

and exporters, who threatened not to sell their wool until the commodity was accorded more favorable treatment. The producers of the various classes of wool were demanding higher prices than the exporters could afford to pay in the light of the existing aforos, or official export valuations. The exporters, in turn, were demanding that the Government establish still lower aforos so that Uruguayan wool could better meet world prices. At the end of August 1957 the Government lowered the aforos, but this action did not appreciably increase exports of wool.

On November 11, 1957, the Uruguayan Government took more drastic action to solve the wool problem. It substantially increased the composite export rates on all classes of wool by increasing the amount of export proceeds that exporters could convert into pesos at the higher free rate of 4.11 pesos per U.S. dollar, or, conversely, by reducing the amount that had to be converted at the basic directed rate of 1.519 pesos per U.S. dollar. The Government also made it mandatory for the authorities to fix the aforos at 10 percent below the world price, subject to a sliding scale of adjustments in the aforos with changes in the world price. The new composite rate, with the new mixtures (shown in parentheses) of the controlled rate and the certificate rate, were as follows: Raw wool, 2.17 pesos (75 percent controlled—25 percent certificate); washed wool, 2.42 pesos (65 percent—35 percent); wool tops, 2.81 pesos (50 percent—50 percent); and combed and carded wool yarn, 3.46 pesos (25 percent—75 percent).[82]

Still not satisfied with the new formula, the producers and exporters

[82] The following example, showing how the changes in the official valuation might affect the effective rate of exchange for raw wool, would also apply in principle to the other classes of wool. If the world price for raw wool is $100 per unit, and the aforo, or export valuation, is fixed at 10 percent below this price (at $90), the exporter must relinquish to the Government 75 percent of $90 at the controlled rate of 1.519 pesos per U.S. dollar, and 25 percent at the certificate rate of 4.11 pesos per dollar; this would yield him a total of 195.00 pesos. The exporter would then be free to sell an amount equal to the difference ($10) between the world price and the export valuation at the certificate rate of 4.11 pesos per dollar, or for 41.10 pesos. From his entire proceeds of $100, therefore, the exporter would receive 236.10 pesos, or an effective rate of 2.36 pesos per dollar. (The effective rate would of course be higher if the exporter were able to sell all or part of his $10 differential at the fluctuating free-market rate of 4.67 pesos per U.S. dollar.)

The Nov. 11 formula for export valuations involved fixing the aforo at 10 percent below the world market price of wool, with the further provision that the percentage would decrease by 10 percent for every increase of 50 U.S. cents in the world price during the 2-week validity of an aforo. Thus, if the world price of raw wool should increase by $1 per unit during the validity period of the aforo, or to $101 per unit, the aforo would automatically be changed to 8 percent below the world price. Under these conditions, the exporter would be required to surrender 75 percent of $92.92 at the controlled rate of 1.519 pesos per U.S. dollar, and 25 percent at the certificate rate of 4.11 pesos per dollar, for which he would receive a total of 201.34 pesos. He would still have $8.08 to sell at the certificate rate of 4.11 pesos per dollar, which would amount to 33.21 pesos. His total receipts from this set of operations would be 234.55 pesos per 101 U.S. dollars, or an effective rate of 2.32 pesos per dollar. This is slightly less than the effective rate of 2.36 pesos per dollar under the preceding assumption of an aforo fixed at 10 percent below the world price.

continued to withhold their wool from the market in an attempt to force the Uruguayan Government to lower still further the export valuations and to increase the proportion of exchange that could be sold at the free rate. The upward adjustments that had been made in the composite and effective rates for washed wool and wool tops were likewise unacceptable to the producers and exporters.

In February 1958 the Uruguayan Government again increased the export-exchange rate for wool tops—in part with a view to offsetting the United States countervailing duty of 6 percent on tops. By this time, however, the world price of tops and other wool had declined so greatly that producers now hesitated to sell for this reason also. Exports of wool tops were not materially stimulated by the new effective export rate, which amounted to 2.95 pesos per U.S. dollar.[83] The producers of wool tops maintained that to compete in the world market, they required an effective rate of at least 3.70 pesos per dollar. The Government refused to go this far, however, and by the middle of 1958 large stocks of wool still remained unsold.

During the first half of 1958 the value of the peso continued to decline. The Uruguayan Government, since it refused to increase the exchange rates or to reduce the aforos, sought other methods of stimulating exports. The producers and exporters pressed the Government to reduce the taxes on exports of wool.[84] The Government, however, declined to do this, on the ground that such an action would encourage exporters of other Uruguayan products to demand similar treatment. At the same time, Uruguay continued to press the United States to remove the 6-percent countervailing duty on wool tops.

In April 1958 Uruguay reduced the number of export-exchange groups from 11 to 6, and published lists of the commodities included in each of the 6 groups. This action was officially regarded as evidence that Uruguay was progressively streamlining its export-exchange structure along the lines suggested by the International Monetary Fund. The simplification of the export-rate structure represented, for the most part, the transfer of an increased number of exports from mixed-rate categories into the certificate, or free-commercial-rate, category. However, the exchange rates for

[83] The effective rate of 2.95 pesos per U.S. dollar was derived by applying a downward adjustment of 7 percent in the official valuation for wool tops to the composite export rate of 2.81 pesos per dollar, based on 50 percent of the free commercial rate (4.11 pesos per dollar) and 50 percent of the basic directed rate (1.519 pesos per dollar).

[84] Most of the taxes applicable to exports of wool from Uruguay also are based on aforos, or official valuations, and change as the aforos change. At the aforos established for this purpose and current in May 1958, the export taxes amounted to 2.64 pesos per 10 kilograms for greasy wool, 1.31 pesos for scoured wool, and 0.83 peso for wool tops. The export-tax aforos, which are fixed quarterly, are not to be confused with the aforos, or official valuations, that are established at intervals of 2 weeks for exchange purposes.

Uruguay's more important export commodities, including the various wool items, were not changed.

Early in June 1958 Uruguay made still another attempt to stimulate exports, this time by instituting a system of "internal compensations." These compensations were intended to serve as subsidies for those export commodities for which the free commercial rate of 4.11 pesos per U.S. dollar was regarded by the producers as insufficient to enable them to compete with similar foreign products in the world market. Compensation was authorized for apples, butter, casein, and combed and carded woolen textiles and yarns. No other commodities—not even the more important wool items—were included in the plan. Compensation involves increasing the 4.11-peso rate by a specified percentage. The compensation granted for combed and carded woolen textiles and yarns, for example, was 56 percent of the 4.11-peso rate, or 2.30 pesos; the resulting equivalent exchange rate was 6.41 pesos per U.S. dollar. Although this action created no new export-exchange rates as such, it obviously involved a de facto devaluation of the peso and added to the complexity of the Uruguayan export-exchange system. Besides representing the kind of export subsidy that usually invites tariff retaliation by other countries, the Government's action was adversely criticized in Uruguay itself.

Uruguay's long and involved attempts to find outlets for its export commodities during the period covered by this report overshadowed its correlative actions to restrict imports. The refusal of producers to sell their wool at the export rates then in effect led the Uruguayan authorities to close the controlled exchange market on October 17, 1957—except for export transactions. This action suspended all imports at the preferential rate of 2.10 pesos per U.S. dollar, the rate applicable to the category of "most essential goods." At the same time the Bank of the Republic closed the free-exchange market, so that, in effect, all importation into Uruguay was suspended.[85] Under the highly favorable (overvalued) rate of 2.10 pesos per dollar in effect since August 1956, imports of a large variety of commodities, including raw materials, building materials, and basic foodstuffs, had been permitted without quota restrictions. The greatly in-

[85] Between July 1, 1957, and the closing of the import-exchange market on Oct. 17, Uruguay had already taken some steps to restrict imports. In July and September the Government more narrowly defined the meaning of "necessary" raw materials that could be imported at the rate of 2.10 pesos per U.S. dollar, and the Bank of the Republic made it more difficult for importers to obtain exchange. In September the Government also revived the quota system for certain goods, thus reversing the system, in effect since August 1956, under which imports had been permitted without quota at the rate of 2.10 pesos per dollar. Actually, in June 1957, in an attempt to reduce unnecessarily large imports, Uruguay had modified the system in effect since August 1956 by granting importers of such goods as raw materials, building materials, and fuels, annual global quotas based on their imports during the preceding 3 years. On the other hand, Uruguay, with a view to partly offsetting the rise of internal prices, on Oct. 1, 1957, freed a long list of essential imports from three separate import taxes.

creased imports of these commodities had contributed largely to the exchange crises that developed during 1956–57.

On November 11, 1957, when Uruguay attempted to stimulate exports of wool by establishing higher export-exchange rates—the Government indicated that future imports would be restricted by devaluing the import-exchange rate. Imports authorized before October 17, when the exchange market was closed, were given priority in allocating available exchange. The number of commodities that could be imported at the rate of 2.10 pesos per U.S. dollar was greatly reduced, and many of the commodities released from this rate were made subject to the much higher certificate-market rate (4.11 pesos per U.S. dollar).

Of much greater immediate significance was the emergency arrangement that Uruguay made on November 28, 1957, for the importation of essential raw materials and other highly essential commodities. Under this arrangement priority for such imports was given countries with which Uruguay has bilateral trade and payments agreements. This action virtually excluded imports from the United States, the United Kingdom, Belgium, West Germany, Sweden, and certain other countries that have traditionally accounted for most of Uruguay's imports. Uruguay has bilateral trade and payments agreements with Brazil, Bulgaria, Czechoslovakia, East Germany, Greece, Hungary, Israel, Italy, Poland, Spain, Switzerland, the U.S.S.R., and Yugoslavia. The emergency import arrangements described above were subsequently extended through June 1958, and later, until September 30, 1958.

APPENDIXES

Appendix A

Trade Agreements Act of June 12, 1934, as Amended (Aug. 20, 1958)

AN ACT

To amend the Tariff Act of 1930

Section 1

[The Tariff Act of 1930 is amended by adding at the end of title III the following new section:]

Part III—Promotion of Foreign Trade

SEC. 350(a)

(1) For the purpose of expanding foreign markets for the products of the United States (as a means of assisting in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce) by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets by affording corresponding market opportunities for foreign products in the United States, the President, whenever he finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States and that the purpose above declared will be promoted by the means hereinafter specified, is authorized from time to time—

(A) To enter into foreign trade agreements with foreign governments or instrumentalities thereof; *Provided*, That the enactment of the Trade Agreements Extension Act of 1955 shall not be construed to determine or indicate the approval or disapproval by the Congress of the executive agreement known as the General Agreement on Tariffs and Trade.

(B) To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements, as are required or appropriate to carry out any foreign trade agreement that the President has entered into hereunder.

(2) No proclamation pursuant to paragraph (1) (B) of this subsection shall be made—

(A) Increasing by more than 50 per centum any rate of duty existing on July 1, 1934; except that a specific rate of duty existing on July 1, 1934, may be converted to its ad valorem equivalent based on the value of imports of the article concerned during the calendar year 1934 (determined in the same manner as provided in subparagraph (D)(ii)) and the proclamation may provide an ad valorem rate of duty not in excess of 50 per centum above such ad valorem equivalent.

(B) Transferring any article between the dutiable and free lists.

(C) In order to carry out a foreign trade agreement entered into by the President before June 12, 1955, or with respect to which notice of intention to negotiate was published in the Federal Register on November 16, 1954, decreasing[1] by more than 50 per centum any rate of duty existing on January 1, 1945.

(D) In order to carry out a foreign trade agreement entered into by the President on or after June 12, 1955, and before July 1, 1958, decreasing[1] (except as provided in subparagraph (C) of this paragraph) any rate of duty below the lowest of the following rates:

(i) The rate 15 per centum below the rate existing on January 1, 1955.

(ii) In the case of any article subject to an ad valorem rate of duty above 50 per centum (or a combination of ad valorem rates aggregating more than 50 per centum), the rate 50 per centum ad valorem (or a combination of ad valorem rates aggregating 50 per centum). In the case of any article subject to a specific rate of duty (or a combination of rates including a specific rate) the ad valorem equivalent of which has been determined by the President to have been above 50 per centum during a period determined by the President to be a representative period, the rate 50 per centum ad valorem or the rate (or a combination of rates), however stated, the ad valorem equivalent of which the President determines would have been 50 per centum during such period. The standards of valuation contained in section 402 or 402a of this Act (as in effect, with respect to the article concerned, during the representative period) shall be utilized by the President, to the maximum extent he finds such utilization practicable, in making the determinations under the preceding sentence.

(E) In order to carry out a foreign trade agreement entered into by the President on or after July 1, 1958, decreasing any rate of duty below the lowest of the rates provided for in paragraph (4)(A) of this subsection.

(3) (A) Subject to the provisions of subparagraphs (B) and (C) of this paragraph and of subparagraph (B) of paragraph (4) of this subsection, the provisions of any proclamation made under paragraph (1)(B) of this subsection, and the provisions of any proclamation of suspension under paragraph (5) of this subsection, shall be in effect from and after such time as is specified in the proclamation.

(B) In the case of any decrease in duty to which paragraph (2)(D) of this subsection applies—

(i) if the total amount of the decrease under the foreign trade agreement does not exceed 15 per centum of the rate existing on January 1, 1955, the amount of decrease becoming initially effective at one time shall not exceed 5 per centum of the rate existing on January 1, 1955;

(ii) except as provided in clause (i), not more than one-third of the total amount of the decrease under the foreign trade agreement shall become initially effective at one time; and

(iii) no part of the decrease after the first part shall become initially effective until the immediately previous part shall have been in effect for a period or periods aggregating not less than one year.

(C) No part of any decrease in duty to which the alternative specified in paragraph (2)(D)(i) of this subsection applies shall become initially effective after the expiration of the three-year period which begins on July 1, 1955. If any part of such

[1] Sec. 2(a) of Public Law 464, 83d Cong., as amended by sec. 8(a) of Public Law 85–686, provides as follows:

No action shall be taken pursuant to section 350 of the Tariff Act of 1930, as amended . . ., to decrease the duty on any article if the President finds that such reduction would threaten to impair the national security.

decrease has become effective, then for purposes of this subparagraph any time thereafter during which such part of the decrease is not in effect by reason of legislation of the United States or action thereunder shall be excluded in determining when the three-year period expires.

(D) If (in order to carry out a foreign trade agreement entered into by the President on or after June 12, 1955) the President determines that such action will simplify the computation of the amount of duty imposed with respect to an article, he may exceed any limitation specified in paragraph (2)(C) or (D) or paragraph (4)(A) or (B) of this subsection or subparagraph (B) of this paragraph by not more than whichever of the following is lesser:

(i) The difference between the limitation and the next lower whole number, or
(ii) One-half of 1 per centum ad valorem.

In the case of a specific rate (or of a combination of rates which includes a specific rate), the one-half of 1 per centum specified in clause (ii) of the preceding sentence shall be determined in the same manner as the ad valorem equivalent of rates not stated wholly in ad valorem terms is determined for the purposes of paragraph (2)(D)(ii) of this subsection.

(4) (A) No proclamation pursuant to paragraph (1)(B) of this subsection shall be made, in order to carry out a foreign trade agreement entered into by the President on or after July 1, 1958, decreasing any rate of duty below the lowest of the following rates:

(i) The rate which would result from decreasing the rate existing on July 1, 1958, by 20 per centum of such rate.

(ii) Subject to paragraph (2)(B) of this subsection, the rate 2 per centum ad valorem below the rate existing on July 1, 1958.

(iii) The rate 50 per centum ad valorem or, in the case of any article subject to a specific rate of duty or to a combination of rates including a specific rate, any rate (or combination of rates), however stated, the ad valorem equivalent of which has been determined as 50 per centum ad valorem.

The provisions of clauses (ii) and (iii) of this subparagraph and of subparagraph (B)(ii) of this paragraph shall, in the case of any article subject to a combination of ad valorem rates of duty, apply to the aggregate of such rates; and, in the case of any article subject to a specific rate of duty or to a combination of rates inlcuding a specific rate, such provisions shall apply on the basis of the ad valorem equivalent of such rate or rates, during a representative period (whether or not such period includes July 1, 1958), determined in the same manner as the ad valorem equivalent of rates not stated wholly in ad valorem terms is determined for the purpose of paragraph (2)(D)(ii) of this subsection.

(B)(i) In the case of any decrease in duty to which clause (i) of subparagraph (A) of this paragraph applies, such decrease shall become initially effective in not more than four annual stages, and no amount of decrease becoming initially effective at one time shall exceed 10 per centum of the rate of duty existing on July 1, 1958, or, in any case in which the rate has been increased since that date, exceed such 10 per centum or one-third of the total amount of the decrease under the foreign trade agreement, whichever is the greater.

(ii) In the case of any decrease in duty to which clause (ii) of subparagraph (A) of this paragraph applies, such decrease shall become initially effective in not more than four annual stages, and no amount of decrease becoming initially effective at one time shall exceed 1 per centum ad valorem or, in any case in which the rate has been increased since July 1, 1958, exceed such 1 per centum or one-third of the total amount of the decrease under the foreign trade agreement, whichever is the greater.

(iii) In the case of any decrease in duty to which clause (iii) of subparagraph (A) of this paragraph applies, such decrease shall become initially effective in not more than four annual stages, and no amount of decrease becoming initially effective at one time shall exceed one-third of the total amount of the decrease under the foreign trade agreement.

(C) In the case of any decrease in duty to which subparagraph (A) of this paragraph applies (i) no part of a decrease after the first part shall become initially effective until the immediately previous part shall have been in effect for a period or periods aggregating not less than one year, nor after the first part shall have been in effect for a period or periods aggregating more than three years, and (ii) no part of a decrease shall become initially effective after the expiration of the four-year period which begins on July 1, 1962. If any part of a decrease has become effective, then for the purposes of clauses (i) and (ii) of the preceding sentence any time thereafter during which such part of the decrease is not in effect by reason of legislation of the United States or action thereunder shall be excluded in determining when the three-year period or the four-year period, as the case may be, expires.

(5) Subject to the provisions of section 5 of the Trade Agreements Extension Act of 1951 (19 U.S.C., sec. 1362), duties and other import restrictions proclaimed pursuant to this section shall apply to articles the growth, produce, or manufacture of all foreign countries, whether imported directly or indirectly: *Provided,* That the President shall, as soon as practicable, suspend the application to articles the growth, produce, or manufacture of any country because of its discriminatory treatment of American commerce or because of other acts (including the operations of international cartels) or policies which in his opinion tend to defeat the purpose of this section.

(6) The President may at any time terminate, in whole or in part, any proclamation made pursuant to this section.

[Sec. 350](b)

Nothing in this section shall be construed to prevent the application, with respect to rates of duty established under this section pursuant to agreements with countries other than Cuba, of the provisions of the treaty of commercial reciprocity concluded between the United States and the Republic of Cuba on December 11, 1902, or to preclude giving effect to an agreement with Cuba concluded under this section, modifying the existing preferential customs treatment of any article the growth, produce, or manufacture of Cuba. Nothing in this Act shall be construed to preclude the application to any product of Cuba (including products preferentially free of duty) of a rate of duty not higher than the rate applicable to the like products of other foreign countries (except the Philippines), whether or not the application of such rate involves any preferential customs treatment. No rate of duty on products of Cuba shall be decreased—

(1) In order to carry out a foreign trade agreement entered into by the President before June 12, 1955, by more than 50 per centum of the rate of duty existing on January 1, 1945, with respect to products of Cuba.

(2) In order to carry out a foreign trade agreement entered into by the President on or after June 12, 1955, below the applicable alternative specified in subsection (a)(2)(C) or (D) or (4)(A) (subject to the applicable provisions of subsection (a)(3)(B), (C), and (D) and (4)(B) and (C)), each such alternative to be read for the purposes of this paragraph as relating to the rate of duty applicable to products of Cuba. With respect to products of Cuba, the limitation of subsection (a)(2)(D)(ii) or (4)(A)(iii) may be exceeded to such extent as may be required to maintain an absolute margin of preference to which such products are entitled.

[SEC. 350](c)

(1) As used in this section, the term "duties and other import restrictions" includes (A) rate and form of import duties and classification of articles, and (B) limitations, prohibitions, charges, and exactions other than duties, imposed on importation or imposed for the regulation of imports.

(2) For purposes of this section—

(A) Except as provided in subsection (d), the terms "existing on July 1, 1934", "existing on January 1, 1945", "existing on January 1, 1955", and "existing on July 1, 1958" refer to rates of duty (however established, and even though temporarily suspended by Act of Congress or otherwise) existing on the date specified, except rates in effect by reason of action taken pursuant to section 5 of the Trade Agreements Extension Act of 1951 (19 U.S.C., sec. 1362).

(B) The term "existing" without the specification of any date, when used with respect to any matter relating to the conclusion of, or proclamation to carry out, a foreign trade agreement, means existing on the day on which that trade agreement is entered into.

[SEC. 350](d)

(1) When any rate of duty has been increased or decreased for the duration of war or an emergency, by agreement or otherwise, any further increase or decrease shall be computed upon the basis of the post-war or post-emergency rate carried in such agreement or otherwise.

(2) Where under a foreign trade agreement the United States has reserved the unqualified right to withdraw or modify, after the termination of war or an emergency, a rate on a specific commodity, the rate on such commodity to be considered as "existing on January 1, 1945" for the purpose of this section shall be the rate which would have existed if the agreement had not been entered into.

(3) No proclamation shall be made pursuant to this section for the purpose of carrying out any foreign trade agreement the proclamation with respect to which has been terminated in whole by the President prior to the date this subsection is enacted.[2]

[SEC. 350](e)

(1) The President shall submit to the Congress an annual report on the operation of the trade agreements program, including information regarding new negotiations, modifications made in duties and import restrictions of the United States, reciprocal concessions obtained, modifications of existing trade agreements in order to effectuate more fully the purposes of the trade agreements legislation (including the incorporation therein of escape clauses), the results of action taken to obtain removal of foreign trade restrictions (including discriminatory restrictions) against United States exports, remaining restrictions, and the measures available to seek their removal in accordance with the objectives of this section, and other information relating to that program and to the agreements entered into thereunder.

(2) The Tariff Commission shall at all times keep informed concerning the operation and effect of provisions relating to duties or other import restrictions of the United States contained in trade agreements heretofore or hereafter entered into by the President under the authority of this section. The Tariff Commission, at least once a year, shall submit to the Congress a factual report on the operation of the trade-agreements program.

[SEC. 350](f)

It is hereby declared to be the sense of the Congress that the President, during the course of negotiating any foreign trade agreement under this section, should seek information and advice with respect to such agreement from representatives of industry, agriculture, and labor.

[2] Subsec. (d) was enacted July 5, 1945 (59 Stat. 410).

Section 2

(a) Subparagraph (d) of paragraph 369, the last sentence of paragraph 1402, and the provisos to paragraphs 371, 401, 1650, 1687, and 1803(1) of the Tariff Act of 1930 are repealed. The provisions of section 336 of the Tariff Act of 1930 shall not apply to any article with respect to the importation of which into the United States a foreign trade agreement has been concluded pursuant to this Act, or to any provision of any such agreement. The third paragraph of section 311 of the Tariff Act of 1930 shall apply to any agreement concluded pursuant to this Act to the extent only that such agreement assures to the United States a rate of duty on wheat flour produced in the United States which is preferential in respect to the lowest rate of duty imposed by the country with which such agreement has been concluded on like flour produced in any other country; and upon the withdrawal of wheat flour from bonded manufacturing warehouses for exportation to the country with which such agreement has been concluded, there shall be levied, collected, and paid on the imported wheat used, a duty equal to the amount of such assured preference.

(b) Every foreign trade agreement concluded pursuant to this Act shall be subject to termination, upon due notice to the foreign government concerned, at the end of not more than three years from the date on which the agreement comes into force, and, if not then terminated, shall be subject to termination thereafter upon not more than six months' notice.

(c) The authority of the President to enter into foreign trade agreements under section 1 of this Act shall terminate at the close of June 30, 1962.[3]

Section 3

Nothing in this Act shall be construed to give any authority to cancel or reduce, in any manner, any of the indebtedness of any foreign country to the United States.

Section 4

Before any foreign trade agreement is concluded with any foreign government or instrumentality thereof under the provisions of this Act, reasonable public notice of the intention to negotiate an agreement with such government or instrumentality shall be given in order that any interested person may have an opportunity to present his views to the President, or to such agency as the President may designate, under such rules and regulations as the President may prescribe; and before concluding such agreement the President shall request the Tariff Commission to make the investigation and report provided for by section 3 of the Trade Agreements Extension Act of 1951, and shall seek information and advice with respect to such agreement from the Departments of State, Agriculture, Commerce, and Defense, and from such other sources as he may deem appropriate.

[3] The original act limited the authority of the President to enter into foreign trade agreements to a period of 3 years from June 12, 1934, the date of enactment of the act (48 Stat. 943). The President's authority to enter into foreign trade agreements has been extended from time to time as follows: Public Res. 10, 75th Cong., for 3 years from June 12, 1937 (50 Stat. 24); Public Res. 61, 76th Cong., for 3 years from June 12, 1940 (54 Stat. 107); Public Law 66, 78th Cong., for 2 years from June 12, 1943 (57 Stat. 125); Public Law 130, 79th Cong., for 3 years from June 12, 1945 (59 Stat. 410); Public Law 792, 80th Cong., from June 12, 1948, until the close of June 30, 1949 (62 Stat. 1053); Public Law 307, 81st Cong. (which repealed Public Law 792, 80th Cong.), for 3 years from June 12, 1948 (63 Stat. 697); Public Law 50, 82d Cong., for 2 years from June 12, 1951 (65 Stat. 72); Public Law 215, 83d Cong., for 1 year from June 12, 1953 (67 Stat. 472); Public Law 464, 83d Cong., for 1 year from June 12, 1954 (68 Stat. 360); Public Law 86, 84th Cong., from June 12, 1955 until the close of June 30, 1958 (69 Stat. 162); and Public Law 85–686, until the close of June 30, 1962 (72 Stat. 673).

Appendix B

Trade Agreements Extension Act of 1951, as Amended (Aug. 20, 1958)

AN ACT

To extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Trade Agreements Extension Act of 1951".

Sec. 2. [This section, which extended the President's authority to enter into foreign trade agreements for 2 years from June 12, 1951, is obsolete.]

"Peril-point" procedure.

Sec. 3. (a) Before entering into negotiations concerning any proposed foreign trade agreement under section 350 of the Tariff Act of 1930, as amended, the President shall furnish the United States Tariff Commission (hereinafter in this Act referred to as the "Commission") with a list of all articles imported into the United States to be considered for possible modification of duties and other import restrictions, imposition of additional import restrictions, or continuance of existing customs or excise treatment. Upon receipt of such list the Commission shall make an investigation and report to the President the findings of the Commission with respect to each such article as to (1) the limit to which such modification, imposition, or continuance may be extended in order to carry out the purpose of such section 350 without causing or threatening serious injury to the domestic industry producing like or directly competitive articles; and (2) if increases in duties or additional import restrictions are required to avoid serious injury to the domestic industry producing like or directly competitive articles the minimum increases in duties or additional import restrictions required. Such report shall be made by the Commission to the President not later than six months after the receipt of such list by the Commission. No such foreign trade agreement shall be entered into until the Commission has made its report to the President or until the expiration of the six-month period.

(b) (1) In the course of any investigation pursuant to this section the Commission shall hold hearings and give reasonable public notice thereof, and shall afford reasonable opportunity for parties interested to be present, to produce evidence, and to be heard at such hearings. If in the course of any such investigation the Commission shall find with respect to any article on the list upon which a tariff concession has been granted that an increase in duty or additional import restriction is required to avoid serious injury to the domestic industry producing like or directly competitive articles, the Commission shall promptly institute an investigation with respect to that article pursuant to section 7 of this Act.

(2) In each such investigation the Commission shall, to the extent

practicable and without excluding other factors, ascertain for the last calendar year preceding the investigation the average invoice price on a country-of-origin basis (converted into currency of the United States in accordance with the provisions of section 522 of the Tariff Act of 1930, as amended) at which the foreign article was sold for export to the United States, and the average prices at which the like or directly competitive domestic articles were sold at wholesale in the principal markets of the United States. The Commission shall also, to the extent practicable, estimate for each article on the list the maximum increase in annual imports which may occur without causing serious injury to the domestic industry producing like or directly competitive articles. The Commission shall request the executive departments and agencies for information in their possession concerning prices and other economic data from the principal supplier foreign country of each such article.

(c) [This subsection amended sec. 4 of the Trade Agreements Act of June 12, 1934.]

SEC. 4. (a) Within thirty days after any trade agreement under section 350 of the Tariff Act of 1930, as amended, has been entered into which, when effective, will (1) require or make appropriate any modification of duties or other import restrictions, the imposition of additional import restrictions, or the continuance of existing customs or excise treatment, which modification, imposition, or continuance will exceed the limit to which such modification, imposition, or continuance may be extended without causing or threatening serious injury to the domestic industry producing like or directly competitive articles as found and reported by the Tariff Commission under section 3, or (2) fail to require or make appropriate the minimum increase in duty or additional import restrictions required to avoid such injury, the President shall transmit to Congress a copy of such agreement together with a message accurately identifying the article with respect to which such limits or minimum requirements are not complied with, and stating his reasons for the action taken with respect to such article. If either the Senate or the House of Representatives, or both, are not in session at the time of such transmission, such agreement and message shall be filed with the Secretary of the Senate or the Clerk of the House of Representatives, or both, as the case may be.

(b) Promptly after the President has transmitted such foreign trade agreement to Congress the Commission shall deposit with the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate, a copy of the portions of its report to the President dealing with the articles with respect to which such limits or minimum requirements are not complied with.

Withdrawal of concessions from products of Communist areas.

SEC. 5. As soon as practicable, the President shall take such action as is necessary to suspend, withdraw or prevent the application of any reduction in any rate of duty, or binding of any existing customs or excise treatment, or other concession contained in any trade agreement entered into under the authority of section 350 of the Tariff Act of 1930, as amended and extended, to imports from the Union of Soviet Socialist Republics and to imports from any nation or area dominated or controlled by the foreign government or foreign organization controlling the world Communist movement.

Escape-clause policy.

SEC. 6. (a) No reduction in any rate of duty, or binding on any existing customs or excise treatment, or other concession hereafter proclaimed under section 350 of the Tariff Act of 1930, as amended, shall be permitted to continue in effect when the product on which the concession has been granted is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

(b) The President, as soon as practicable, shall take such action as may be necessary to bring trade agreements heretofore entered into under section 350 of the Tariff Act of 1930, as amended, into conformity with the policy established in subsection (a) of this section.

Escape-clause procedure.

SEC. 7. (a) Upon the request of the President, upon resolution of either House of Congress, upon resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, upon its own motion, or upon application of any interested party (including any organization or group of employees), the United States Tariff Commission shall promptly make an investigation and make a report thereon not later than six months after the application is made to determine whether any product upon which a concession has been granted under a trade agreement is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

In the course of any such investigation, whenever it finds evidence of serious injury or threat of serious injury or whenever so directed by resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, the Tariff Commission shall hold hearings giving reasonable public notice thereof and shall afford reasonable opportunity for interested parties to be present, to produce evidence, and to be heard at such hearings.

Should the Tariff Commission find, as the result of its investigation and hearings, that a product on which a concession has been granted is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products, it shall recommend to the President the withdrawal or modification of the concession, its suspension in whole or in part, or the establishment of import quotas, to the extent and for the time necessary to prevent or remedy such injury. The Tariff Commission shall immediately make public its findings and recommendations to the President, including any dissenting or separate findings and recommendations, and shall cause a summary thereof to be published in the Federal Register.

(b) In arriving at a determination in the foregoing procedure the Tariff Commission, without excluding other factors, shall take into consideration a downward trend of production, employment, prices, profits, or wages in the domestic industry concerned, or a decline in sales, an increase in imports, either actual or relative to domestic production, a higher or growing inventory, or a decline in the proportion of the domestic market supplied by domestic producers.

Increased imports, either actual or relative, shall be considered as the cause or threat of serious injury to the domestic industry producing like or directly competitive products when the Commission finds that such increased imports have contributed substantially towards causing or threatening serious injury to such industry.

(c) (1) Upon receipt of the Tariff Commission's report of its investigation and hearings, the President may make such adjustments in the rates of duty, impose such quotas, or make such other modifications as are found and reported by the Commission to be necessary to prevent or remedy serious injury to the respective domestic industry. If the President does not take such action within sixty days he shall immediately submit a report to the Committee on Ways and Means of the House and to the Committee on Finance of the Senate stating why he has not made such adjustments or modifications, or imposed such quotas.

(2) The action so found and reported by the Commission to be necessary shall take effect (as provided in the first sentence of paragraph (1) or in paragraph (3), as the case may be)—

Congressional action if President disapproves Tariff Commission recommendation.

(A) if approved by the President, or

(B) if disapproved by the President in whole or in part, upon the adoption by both Houses of the Congress (within the 60-day period following the date on which the report referred to in the second sentence of paragraph (1) is submitted to such committees), by the yeas and nays by a two-thirds vote of each House, of a concurrent resolution stating in effect that the Senate and House of Representatives approve the action so found and reported by the Commission to be necessary.[1]

For the purposes of subparagraph (B), in the computation of the 60-day period there shall be excluded the days on which either House is not in session because of an adjournment of more than 3 days to a day certain or an adjournment of the Congress sine die.

(3) In any case in which the contingency set forth in paragraph (2)(B) occurs, the President shall (within 15 days after the adoption of such resolution) take such action as may be necessary to make the adjustments, impose the quotas, or make such other modifications as were found and reported by the Commission to be necessary.

(d) When in the judgment of the Tariff Commission no sufficient reason exists for a recommendation to the President that a concession should be withdrawn or modified or a quota established, it shall make and publish a report stating its findings and conclusions.

(e) As used in this Act, the terms "domestic industry producing like or directly competitive products" and "domestic industry producing like or directly competitive articles" mean that portion or subdivision of the producing organizations manufacturing, assembling, processing, extracting, growing, or otherwise producing like or directly competitive products or articles in commercial quantities. In applying the preceding sentence, the Commission shall (so far as practicable) distinguish or separate the operations of the producing organizations involving the like or directly competitive products or articles referred to in such sentence from the operations of such organizations involving other products or articles.

(f) In carrying out the provisions of this section the President may, notwithstanding section 350(a)(2) of the Tariff Act of 1930, as amended,

[1] See appendix C for rules governing congressional consideration of concurrent resolutions to override Presidential disapprovals of Tariff Commission escape-clause recommendations.

impose a duty not in excess of 50 per centum ad valorem on any article not otherwise subject to duty.

Perishable agricultural commodities.—Emergency escape-clause action.

SEC. 8. (a) In any case where the Secretary of Agriculture determines and reports to the President and to the Tariff Commission with regard to any agricultural commodity that due to the perishability of the commodity a condition exists requiring emergency treatment, the Tariff Commission shall make an immediate investigation * * * under the provisions of section 7 of this Act to determine the facts and make recommendations to the President for such relief under those provisions as may be appropriate. The President may take immediate action however, without awaiting the recommendations of the Tariff Commission if in his judgment the emergency requires such action. In any case the report and findings of the Tariff Commission and the decision of the President shall be made at the earliest possible date and in any event not more than 25 calendar days after the submission of the case to the Tariff Commission.

Amendment of sec. 22 of AAA, as amended.

(b) [This subsection amended sec. 22 of the Agricultural Adjustment Act.]

(c) [This subsection was added by sec. 104 of the Trade Agreements Extension Act of 1953, and amended sec. 22 of the Agricultural Adjustment Act.]

SEC. 9. (a) [This subsection amended sec. 2(a) of the Trade Agreements Act of June 12, 1934.]

(b) [This amendment repealed subsec. (c) of sec. 17 of the Customs Administrative Act of 1938, as amended.]

GATT not approved or disapproved.

SEC. 10. The enactment of this Act shall not be construed to determine or indicate the approval or disapproval by the Congress of the Executive Agreement known as the General Agreement on Tariffs and Trade.

Importation of certain furs prohibited.

SEC. 11. The President shall, as soon as practicable, take such measures as may be necessary to prevent the importation of ermine, fox, kolinsky, marten, mink, muskrat, and weasel furs and skins, dressed or undressed, which are the product of the Union of Soviet Socialist Republics or of Communist China.

Appendix C

Rules Governing Congressional Consideration of Concurrent Resolutions To Override Presidential Disapprovals of Tariff Commission Escape-Clause Recommendations

SEC. 7. (a) [of Trade Agreements Extension Act of 1958.] The following subsections of this section are enacted by the Congress:

(1) As an exercise of the rulemaking power of the Senate and the House of Representatives, respectively, and as such they shall be considered as part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in such House in the case of resolutions (as defined in subsection (b)); and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

(2) With full recognition of the constitutional right of either House to change such rules (so far as relating to the procedure in such House) at any time, in the same manner and to the same extent as in the case of any other rule of such House.

(b) As used in this section, the term "resolution" means only a concurrent resolution of the two Houses of Congress, the matter after the resolving clause of which is as follows: "That the Senate and House of Representatives approve the action—

"(1) found and reported by the United States Tariff Commission to be necessary to prevent or remedy serious injury to the respective domestic industry, in its report to the President dated , 19 , on its escape-clause investigation numbered under the provisions of section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U.S.C., sec. 1364), and

"(2) disapproved by the President in whole or in part in his report (dated , 19) pursuant to the second sentence of paragraph (1) of section 7(c) of such Act.",

the blank spaces therein being appropriately filled; and does not include a concurrent resolution which specifies more than one such investigation.

(c) A resolution with respect to an investigation shall be referred to the Committee on Finance of the Senate or to the Committee on Ways and Means of the House of Representatives by the President of the Senate or the Speaker of the House of Representatives, as the case may be.

(d) (1) If the committee to which has been referred a resolution with respect to an investigation has not reported it before the expiration of ten calendar days after its introduction (or, in the case of a resolution received from the other House, ten calendar days after its receipt), it shall then (but not before) be in order to move either to discharge the committee from further consideration of such resolution, or to discharge the committee from further consideration of any other resolution with respect to such investigation which has been referred to the committee.

(2) Such motion may be made only by a person favoring the resolution, shall be highly privileged (except that it may not be made after the committee has reported a resolution with respect to the same investigation), and debate thereon shall be limited to not to exceed one hour, to be equally divided between those favoring and those opposing the resolu-

tion. No amendment to such motion shall be in order, and it shall not be in order to move to reconsider the vote by which such motion is agreed to or disagreed to.

(3) If the motion to discharge is agreed to or disagreed to, such motion may not be renewed, nor may another motion to discharge the committee be made with respect to any other resolution with respect to the same investigation.

(e) (1) When the committee has reported, or has been discharged from further consideration of, a resolution with respect to an investigation it shall at any time thereafter be in order (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of such resolution. Such motion shall be highly privileged and shall not be debatable. No amendment to such motion shall be in order and it shall not be in order to move to reconsider the vote by which such motion is agreed to or disagreed to.

(2) Debate on the resolution shall be limited to not to exceed ten hours, which shall be equally divided between those favoring and those opposing the resolution. A motion further to limit debate shall not be debatable. No amendment to, or motion to recommit, the resolution shall be in order, and it shall not be in order to move to reconsider the vote by which the resolution is agreed to or disagreed to.

(f) (1) All motions to postpone, made with respect to the discharge from committee, or the consideration of, a resolution with respect to an investigation, and all motions to proceed to the consideration of other business, shall be decided without debate.

Appendix D

Provisions of Trade Agreements Extension Acts for Adjustment of Imports That Threaten To Impair the National Security[1]

SEC. 2. (a) No action shall be taken pursuant to section 350 of the Tariff Act of 1930, as amended (19 U.S.C., sec. 1351),[2] to decrease the duty on any article if the President finds that such reduction would threaten to impair the national security.

(b) Upon request of the head of any Department or Agency, upon application of an interested party, or upon his own motion, the Director of the Office of Defense and Civilian Mobilization[3] (hereinafter in this section referred to as the "Director") shall immediately make an appropriate investigation, in the course of which he shall seek information and advice from other appropriate Departments and Agencies, to determine the effects on the national security of imports of the article which is the subject of such request, application, or motion. If, as a result of such investigation, the Director is of the opinion that the said article is being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security, he shall promptly so advise the President, and, unless the President determines that the article is not being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security as set forth in this section, he shall take such action, and for such time, as he deems necessary to adjust the imports of such article and its derivatives so that such imports will not so threaten to impair the national security.

(c) For the purposes of this section, the Director and the President shall, in the light of the requirements of national security and without excluding other relevant factors, give consideration to domestic production needed for projected national defense requirements, the capacity of domestic industries to meet such requirements, existing and anticipated availabilities of the human resources, products, raw materials, and other supplies and services essential to the national defense, the requirements of growth of such industries and such supplies and services including the investment, exploration, and development necessary to assure such growth, and the importation of goods in terms of their quantities, availabilities, character, and use as those affect such industries and the capacity of the United States to meet national security requirements. In the administration of this section, the Director and the President shall further recognize the close relation of the economic welfare of the Nation to our national security, and shall take into consideration the impact of foreign competition on the economic welfare of individual domestic industries; and any substantial unemployment, decrease in revenues of government, loss of skills or investment, or other serious effects resulting from the displacement of any domestic products by excessive imports shall be considered, without excluding other factors, in determining whether such weakening of our internal economy may impair the national security.

(d) A report shall be made and published upon the disposition of each request, application, or motion under subsection (b). The Director shall publish procedural regulations to give effect to the authority conferred on him by subsection (b).

[1] Sec. 2 of Public Law 464, 83d Cong., as amended by sec. 8(a) of the Trade Agreements Extension Act of 1958 (Public Law 85-686).

[2] Sec. 1 of the Trade Agreements Act of June 12, 1934, as amended.

[3] Now the Office of Civil and Defense Mobilization.

(e) The Director, with the advice and consultation of other appropriate Departments and Agencies and with the approval of the President, shall by February 1, 1959, submit to the Congress a report on the administration of this section. In preparing such a report, an analysis should be made of the nature of projected national defense requirements, the character of emergencies that may give rise to such requirements, the manner in which the capacity of the economy to satisfy such requirements can be judged, the alternative means of assuring such capacity and related matters.

Appendix E

Executive Order 10401, October 14, 1952, Prescribing Procedures for Periodic Review of Escape-Clause Modification of Trade-Agreement Concessions

By virtue of the authority vested in me by the Constitution and the statutes, including section 332 of the Tariff Act of 1930 (46 Stat. 698), the Trade Agreements Act approved June 12, 1934, as amended (48 Stat. 943; 57 Stat. 125; 59 Stat. 410; 63 Stat. 697; Public Law 50, 82d Congress), and the Trade Agreements Extension Act of 1951 (Public Law 50, 82d Congress); and in the interest of the foreign-affairs functions of the United States, in order to carry out international obligations of the United States, and in order that the interests of the various branches of American economy may be effectively promoted and safeguarded in the administration of the trade-agreements program, it is hereby ordered as follows:

1. So long as a trade-agreement concession remains withdrawn, suspended, or modified, in whole or in part, pursuant to action taken under section 7 of the Trade Agreements Extension Act of 1951 or comparable provisions of any statute or Executive order, the Tariff Commission shall keep under review developments with regard to the product to which such concession relates, and shall make periodic reports to the President concerning such developments The first such report shall in each case be made at such time, not more than two years after the original withdrawal, suspension, or modification of the trade-agreement concession, as will best enable it to be based upon a full marketing year for the product involved, and any subsequent reports with respect to such product shall be made at intervals of one year. The Tariff Commission shall also make such a report in any case at such other time as it may consider appropriate or as may be requested by the President, and a report so made shall constitute compliance with any requirement of this paragraph for a periodic report within six months before or after the date of its submission.

2. Whenever in the judgment of the Tariff Commission conditions of competition with respect to the trade in the imported article and the like or directly competitive domestic product concerned have so changed as to warrant it, or upon request of the President, the Commission shall institute a formal investigation to determine whether, and, if so, to what extent, the withdrawal, suspension, or modification of a trade-agreement concession remains necessary in order to prevent or remedy serious injury or the threat thereof to the domestic industry concerned. As a part of any such investigation, the Commission shall hold a hearing at which interested parties shall be given reasonable opportunity to be present, to produce evidence, and to be heard. Upon completion of such an investigation the Commission shall report to the President its findings as to what extent, if any, the withdrawal, suspension, or modification involved remains necessary in order to prevent or remedy serious injury or the threat thereof to the domestic industry concerned. The Commission may prescribe such rules and regulations for the conduct of investigations under this paragraph as it shall deem appropriate.

HARRY S. TRUMAN

THE WHITE HOUSE
October 14, 1952.

Appendix F

Executive Order 10082, October 5, 1949, Prescribing Procedures for the Administration of the Reciprocal Trade Agreements Program

By virtue of the authority vested in me by the Constitution and the statutes, including section 332 of the Tariff Act of 1930 (46 Stat. 698) and the Trade Agreements Act approved June 12, 1934, as amended (48 Stat. 943; 57 Stat. 125; 59 Stat. 410; Public Law 307, 81st Congress), and in the interest of the foreign-affairs functions of the United States and in order that the interests of the various branches of American economy may be effectively promoted and safeguarded through the administration of the trade-agreements program, it is ordered as follows:

Part I—Organization

1. There is hereby established the Interdepartmental Committee on Trade Agreements (hereinafter referred to as the Trade Agreements Committee), which shall act as the agency through which the President shall, in accordance with section 4 of the said Trade Agreements Act, as amended, seek information and advice before concluding a trade agreement. With a view to the conduct of the trade-agreements program in the general public interest and in order to coordinate the program with the interests of American agriculture, industry, commerce, labor, and security, and of American financial and foreign policy, the Trade Agreements Committee shall consist of a Commissioner of the United States Tariff Commission, who shall be designated by the Chairman of the Commission, and of persons designated from their respective agencies by the Secretary of State, the Secretary of the Treasury, the Secretary of Defense, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, and the Administrator for Economic Cooperation. There shall likewise be designated from the foregoing agencies alternates to act in place of the members on the Committee when the members are unable to act. A member or alternate from the Department of State shall be the Chairman of the Trade Agreements Committee.

2. There is hereby established the Committee for Reciprocity Information, which shall act as the agency to which, in accordance with section 4 of the Trade Agreements Act, as amended, the views of interested persons with regard to any proposed trade agreement to be concluded under the said Act shall be presented. The Committee for Reciprocity Information shall consist of the same members as the Trade Agreements Committee or their alternates. A member or alternate from the Tariff Commission shall be the Chairman of the Committee for Reciprocity Information.

3. The Trade Agreements Committee and the Committee for Reciprocity Information may invite the participation in their activities of other government agencies when matters of interest thereto are under consideration. Each of the said committees may from time to time designate such sub-committees, and prescribe such procedures and rules and regulations, as it may deem necessary for the conduct of its functions.

Part II—Conclusion of Agreements

4. Before entering into the negotiation of a proposed trade agreement under the Trade Agreements Act, as amended, the Trade Agreements Committee shall submit to the President for his approval a list of all articles imported into the United States which it is proposed

should be considered in such negotiations for possible modification of duties and other import restrictions, imposition of additional import restrictions, or specific continuance of existing customs or excise treatment. Upon approval by the President of any such list, as originally submitted or in amended form, the Trade Agreements Committee shall cause notice of intention to negotiate such agreement, together with such list of articles, to be published in the FEDERAL REGISTER. Such notice and list shall also be issued to the press, and sufficient copies shall be furnished to the Committee for Reciprocity Information for use in connection with such hearings as the Committee may hold with respect thereto. Such notice, together with the list or a statement as to its availability, shall also be published in the *Department of State Bulletin*, *Treasury Decisions*, and the *Foreign Commerce Weekly*.

5. Any interested person desiring to present his views with respect to any article in any list referred to in paragraph 4 hereof, or with respect to any other aspect of a proposed trade agreement, may present such views to the Committee for Reciprocity Information, which shall accord reasonable opportunity for the presentation of such views.

6. With respect to each article in a list referred to in paragraph 4 hereof, the Tariff Commission shall make an analysis of the facts relative to the production, trade, and consumption of the article involved, to the probable effect of granting a concession thereon, and to the competitive factors involved. Such analysis shall be submitted in digest form to the Trade Agreements Committee.

7. With respect to each article exported from the United States which is considered by the Trade Agreements Committee for possible inclusion in a trade agreement, the Department of Commerce shall make an analysis of the facts relative to the production, trade, and consumption of the article involved, to the probable effect of obtaining a concession thereon, and to the competitive factors involved. Such analysis shall be submitted in digest form to the Trade Agreements Committee.

8. Each Department and agency officials from which are members of the Trade Agreements Committee shall, to the extent it considers necessary and within the sphere of its respective responsibilities, make special studies of particular aspects of proposed trade agreements from the point of view of the interests of American agriculture, industry, commerce, labor, and security. Such studies shall be submitted to the Trade Agreements Committee.

9. After analysis and consideration of (a) the studies of the Tariff Commission provided for in paragraph 6 hereof, (b) the studies of the Department of Commerce provided for in paragraph 7 hereof, (c) the special studies provided for in paragraph 8 hereof, (d) the views of interested persons presented to the Committee for Reciprocity Information pursuant to paragraph 5 hereof, and (e) any other information available to the Trade Agreements Committee, including information relating to export duties and restrictions, the Trade Agreements Committee shall make such recommendations to the President relative to the conclusion of the trade agreement under consideration, and to the provisions to be included therein, as are considered appropriate to carry out the purposes set forth in the Trade Agreements Act, as amended. If there is dissent from any recommendation to the President with respect to the inclusion of any proposed concession in a trade agreement, the President shall be furnished a full report by the dissenting member or members of the Trade Agreements Committee, giving the reasons for his or their dissent.

10. There shall be applicable to each tariff concession granted, or other obligations incurred, by the United States in any trade agreement hereafter entered into a clause providing in effect that if, as a result of unforeseen developments and of such concession or other obligation, any article is being imported in such relatively increased quantities and under such conditions as to cause or threaten serious injury to the domestic industry producing like or directly competitive articles, the United States shall be free to withdraw or modify the concession, or suspend the other obligation, in whole or in part, to the extent and for such time as may be necessary to prevent such injury.

11. There shall be obtained from every government or instrumentality thereof with which any trade agreement is hereafter entered into a most-favored-nation commitment securing for the United States the benefits of all tariff concessions and other tariff advantages accorded by the other party or parties to the agreement to any third country. This provision shall be subject to the minimum of necessary exceptions and shall be designed to obtain the greatest possible benefit for the trade of the United States.

PART III—ADMINISTRATION OF AGREEMENTS

12. The Trade Agreements Committee shall at all times keep informed of the operation and effect of all trade agreements which are in force. It shall recommend to the President or to one or more of the agencies represented on the Committee such action as is considered required or appropriate to carry out any such trade agreement or any rectifications and amendments thereof not requiring compliance with the procedures set forth in paragraphs 4 and 5 hereof. The Trade Agreements Committee shall, in particular, keep informed of discriminations by any country against the trade of the United States which cannot be removed by normal diplomatic representations, and, if it considers that the public interest will be served thereby, shall recommend to the President the withholding from such country of the benefit of concessions granted under the Trade Agreements Act, as amended. The Committee may also consider such other questions of commercial policy as have a bearing on its activities with respect to trade agreements.

13. The Tariff Commission, upon the request of the President, upon its own motion, or upon application of any interested party when in the judgment of the Tariff Commission there is good and sufficient reason therefor, shall make an investigation to determine whether, as a result of unforeseen developments and of the concession granted, or other obligation incurred, by the United States with respect to any article to which a clause similar to that provided for in paragraph 10 hereof is applicable, such article is being imported in such relatively increased quantities and under such conditions as to cause or threaten serious injury to the domestic industry producing like or directly competitive articles. Should the Tariff Commission find, as a result of its investigation, that such injury is being caused or threatened, it shall recommend to the President, for his consideration in the light of the public interest, the withdrawal or modification of the concession, or the suspension of the other obligation, in whole or in part, to the extent and for such time as the Tariff Commission finds necessary to prevent such injury. In the course of any investigation under this paragraph, the Tariff Commission shall hold hearings, giving reasonable public notice thereof, and shall afford reasonable opportunity for parties interested to be present, to produce evidence, and to be heard at such hearings. The procedure and rules and regulations for such investigations and hearings shall from time to time be prescribed by the Tariff Commission.

14. The Tariff Commission shall at all times keep informed concerning the operation and effect of provisions relating to duties or other import restrictions of the United States contained in trade agreements heretofore or hereafter entered into by the President under the authority of the Trade Agreements Act, as amended. The Tariff Commission, at least once a year, shall submit to the President and to the Congress a factual report on the operation of the trade-agreements program.

15. The Committee for Reciprocity Information shall accord reasonable opportunity to interested persons to present their views with respect to the operation and effect of trade agreements which are in force or to any aspect thereof.

PART IV—TRANSITORY PROVISIONS

16. All action relative to trade agreements already concluded or to the conclusion of new trade agreements which has been taken by the Trade Agreements Committee or by the Committee for Reciprocity Information between June 25, 1948, and the date of this order shall be considered as *pro tanto* compliance with the provisions of this order, provided that the

member from the Tariff Commission on the Trade Agreements Committee shall be accorded full opportunity to present to that Committee, and to the President pursuant to the final sentence of paragraph 9 hereof, information and advice with respect to the decisions, recommendations, and other actions of that Committee between June 25, 1948, and the date of this order relative to the conclusion of any trade agreement after the enactment of the Trade Agreements Extension Act of 1949, approved September 26, 1949 (Public Law 307, 81st Congress).

PART V—SUPERSEDURE

17. This order supersedes Executive Order No. 10,004 of October 5, 1948, entitled "Prescribing Procedures for the Administration of the Reciprocal Trade-Agreements Program."

HARRY S. TRUMAN,

THE WHITE HOUSE,
October 5, 1949.

Appendix G

Executive Order 10741, November 25, 1957, Establishing the Trade Policy Committee

By virtue of the authority vested in me by the Constitution and statutes, including the Trade Agreements Act approved June 12, 1934, as amended (48 Stat. 943; 57 Stat. 125; 59 Stat. 410; 63 Stat. 698; 65 Stat. 72; 69 Stat. 162; 19 U.S.C. 1351–1354), it is ordered as follows:

SECTION 1. There is hereby established the Trade Policy Committee, consisting of the Secretary of State, the Secretary of the Treasury, the Secretary of Defense, the Secretary of the Interior, the Secretary of Agriculture, the Secretary of Commerce, and the Secretary of Labor, or of alternates designated by them. Such alternates shall be officials who are required to be appointed by the President with the advice and consent of the Senate. The Secretary of Commerce or his alternate shall be the Chairman of the Committee. The Committee may invite the participation in its activities of other Government agencies when matters of interest thereto are under consideration; provided that such participation shall be limited to the heads of such agencies, or their alternates who are required to be appointed to office as above described.

SEC. 2. The Trade Policy Committee shall make recommendations to the President on basic policy issues arising in the administration of the trade-agreements program, which, as approved by the President, shall guide the Interdepartmental Committee on Trade Agreements established by paragraph 1 of Executive Order No. 10082 of October 5, 1949 (hereinafter referred to as the Trade Agreements Committee), in carrying out its functions.

SEC. 3. Each recommendation made by the Trade Agreements Committee to the President, together with the dissent of any agency, shall be transmitted to the President through the Trade Policy Committee, which shall submit to the President such advice with respect to such recommendation as it may deem appropriate. The said Executive Order No. 10082 is hereby amended accordingly.

SEC. 4. The Trade Policy Committee shall make recommendations to the President as to what action, if any, he should take on reports submitted to him by the United States Tariff Commission pursuant to section 7 of the Trade Agreements Extension Act of 1951, as amended (65 Stat. 74; 67 Stat. 472; 69 Stat. 166), and pursuant to Executive Order No. 10401 of October 14, 1952.

SEC. 5. Agencies of the Government shall furnish the Trade Policy Committee available information upon request of the Committee therefor for use in connection with the carrying out of the functions conferred upon the Committee by this order.

DWIGHT D. EISENHOWER

THE WHITE HOUSE,
November 25, 1957.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1960—519875