1956-007

UNITED STATES TARIFF COMMISSION

Operation of the

TRADE AGREEMENTS PROGRAM

Eighth Report

July 1954–June 1955

[GPO Cl. No.
TC 1.9 : 197]

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UNITED STATES TARIFF COMMISSION

Operation of the

TRADE AGREEMENTS PROGRAM

Eighth Report

July 1954–June 1955

PREPARED IN CONFORMITY WITH SECTION 3 OF THE TRADE AGREEMENTS EXTENSION ACT OF 1955 AND EXECUTIVE ORDER 10082 ISSUED OCTOBER 5, 1949

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1956

Report No. 197 Second Series

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Foreword

This, the eighth report of the United States Tariff Commission on the operation of the trade agreements program, covers the period from July 1, 1954, through June 30, 1955. The eighth report has been prepared in conformity with the provisions of section 3 of the Trade Agreements Extension Act of 1955 and Executive Order 10082 of October 5, 1949. Section 3 of the Trade Agreements Extension Act of 1955 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. Before the passage of 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. The latest of such orders—Executive Order 10082 of October 5, 1949—is still in effect.

During the period covered by the eighth report, the United States and 16 other contracting parties to the General Agreement on Tariffs and Trade met at Geneva, Switzerland, to negotiate with Japan for its accession to the General Agreement. During this period the United States also concluded a supplementary bilateral trade agreement with Switzerland. The report describes the negotiations with Japan and other countries and with Switzerland, and analyzes the concessions that the United States granted and obtained in those negotiations.

The eighth report also covers other important developments respecting the trade agreements program during 1954–55. These include the further extension and amendment of the United States trade agreements legislation, and major developments relating to the General Agreement—consultations and discussions under its general provisions, the general review of the General Agreement that the Contracting Parties conducted at their Ninth Session, and the agreement that they concluded on the proposed Organization for Trade Cooperation. Like earlier reports in the series, the eighth report also discusses the actions of the United States relating to its trade agreements program, and the changes in tariffs, exchange controls, and quantitative trade restrictions that were made by countries with which the United States has trade agreements.

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Chapter 1

United States Trade Agreements Legislation

During almost all of the period covered by this report,[1] the United States conducted its trade agreements program under the authority of the Trade Agreements Act of 1934, as amended, the Trade Agreements Extension Act of 1951, as amended by the Trade Agreements Extension Act of 1953, and the extension act of 1954.

The Trade Agreements Extension Act of 1951 continued the President's authority to enter into trade agreements for a period of 2 years from June 12, 1951. It also, among other things, incorporated into the trade agreements legislation the so-called peril-point provision—in substantially the same form as it appeared in the Trade Agreements Extension Act of 1948—and established statutory provisions for trade agreements escape-clause procedures.

The Trade Agreements Extension Act of 1953 extended the President's authority to conclude trade agreements, for a period of 1 year from June 12, 1953. Among other things, it made certain minor changes in the escape-clause procedures that had been provided for in the extension act of 1951, the statutory provisions of which remain in effect.[2] The extension act of 1954, which was approved July 1, 1954, extended the President's authority to enter into trade agreements for a period of 1 year from June 12, 1954, but made no changes in either the peril-point provision or the escape-clause procedures.[3]

LEGISLATIVE HISTORY OF THE TRADE AGREEMENTS EXTENSION ACT OF 1955

Inasmuch as the President's authority to negotiate trade agreements under the extension act of 1954 was due to expire on June 12, 1955, the

[1] The first report of 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* (first report). The second, third, 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 earlier reports on the operation of the trade agreements program may be purchased from the Superintendent of Documents, United States Government Printing Office, Washington 25, D. C.

[2] For a discussion of the other provisions of the extension acts of 1951 and 1953, see *Operation of the Trade Agreements Program* (sixth report), pp. 17–23.

[3] For the legislative history of the extension act of 1954, see *Operation of the Trade Agreements Program* (seventh report), pp. 21–23.

administration took action, shortly after the convening of the 1st session of the 84th Congress, to obtain an extension of that authority.

On January 10, 1955, in a message to the Congress, the President requested that his authority to negotiate tariff reductions with other countries, on a gradual, selective, and reciprocal basis, be extended for a period of 3 years.[4] The President stated that the requested extension of the trade agreements authority should authorize—subject to the peril-point and escape-clause provisions—the following:[5]

1. Reduction, through multilateral and reciprocal negotiations, of tariff rates on selected commodities by not more than 5 percent per year for 3 years;

2. Reduction, through multilateral and reciprocal negotiations, of any tariff rates in excess of 50 percent to that level over a 3-year period; and

3. Reduction, by not more than one-half over a 3-year period, of tariff rates in effect on January 1, 1945, on articles which are not now being imported or which are being imported in only negligible quantities.

House bill 1, which embodied the President's proposals, was introduced in the House of Representatives on January 5, 1955, and was referred to the Committee on Ways and Means the same day. On February 14, after public hearings that extended from January 17 to February 7, the committee reported favorably on the bill, with several amendments.[6] The House debated the bill on February 17 and 18, after which it was passed, with amendments, on February 18, 1955, by a vote of 295 to 110.

As passed by the House of Representatives, House bill 1 provided that the President's authority to negotiate trade agreements with foreign countries should be extended until July 1, 1958. The bill also provided that the President could reduce United States import duties, pursuant to trade-agreement negotiations, by any 1 of the 3 alternative methods that he had proposed; the 3 methods could not be used cumulatively.

[4] In his message to the Congress the President also discussed, in broad outline, the then current negotiations for the revision of the organizational provisions of the General Agreement on Tariffs and Trade, special problems and possible programs relating to domestic customs procedures, measures to facilitate United States investment abroad, technical assistance to underdeveloped areas of the world, encouragement of international travel, United States participation in international trade fairs, the problem of currency convertibility, and the relationship between domestic agriculture and the foreign economic policy of the United States.

[5] These recommendations were essentially the same as those that the President made in his message to the Congress on March 30, 1954, after receiving the report of the Commission on Foreign Economic Policy (the "Randall Commission"). See U. S. Congress, *Message from the President of the United States Transmitting Recommendations Concerning the Foreign Economic Policy of the United States*, H. Doc. 360 (83d Cong., 2d sess.), 1954. See also Commission on Foreign Economic Policy, *Report to the President and the Congress*, January 1954; *Minority Report*, January 1954; and *Staff Papers Presented to the Commission on Foreign Economic Policy*, February 1954.

[6] See H. Rept. 50 (84th Cong., 1st sess.), 1955.

To permit completion of the announced trade-agreement negotiations involving Japan, the bill authorized—for commodities on which concessions might be made in those negotiations—the same reductions in rates of duty (that is, 50 percent of the rate existing on January 1, 1945) as were authorized under the then existing law, even though the agreement might be entered into after the President's authority under the existing law was due to expire. Other principal provisions of the bill subjected the President's trade-agreement authority to the peril-point and escape-clause procedures of the then present law, and required the President to submit to the Congress an annual report on the operation of the trade agreements program.

On February 21, 1955, House bill 1 was referred to the Senate Committee on Finance. On April 28, after public hearings that extended from March 2 to 23, the committee reported favorably on the bill, with a number of amendments.[7] The Senate debated House bill 1 on May 2, 3, and 4, after which it was passed, with amendments, on May 4, 1955, by a vote of 75 to 13.

The Senate's amendments to House bill 1 eliminated one of the alternative rate-reduction provisions that was contained in the House bill—that which authorized reductions to 50 percent below the January 1, 1945, rate on articles not imported or imported only in negligible quantities. The other two rate-reduction provisions were retained. To permit completion of the announced trade-agreement negotiations involving Japan, the Senate version of the bill—like the House version—authorized for those negotiations the same reductions in rates of duty (that is, 50 percent of the rates existing on January 1, 1945) as were authorized under the then existing law, even though the agreement might be entered into after June 11, 1955. Under the Senate amendments, however, rates reduced in those negotiations by 15 percent or more could not be further reduced under the additional 15 percent rate-reducing authority.

Other principal provisions of the Senate version of the bill that were not contained in the House version amended the escape-clause provisions of the existing trade agreements legislation by defining a "domestic industry" for escape-clause purposes, and by specifying the extent to which increased imports must affect an industry before serious injury can be attributed to such imports. Other provisions of the Senate version of the bill required the Tariff Commission to make public its findings and recommendations in escape-clause cases at the time they are submitted to the President; authorized the President to adjust imports whenever he finds, after investigation, that an article is being imported in such quantities as to threaten to impair the national security; and required the Tariff Com-

[7] See S. Rept. 232 (84th Cong., 1st sess.), 1955.

mission, at least once a year, to submit to the Congress a factual report on the operation of the trade agreements program.

In order to reconcile the differences between the House and the Senate versions, House bill 1 was sent to conference on May 4, 1955. The committee on conference, which with a few exceptions (the most important of which related to the Senate definition of "industry") adopted the Senate version of the bill, reported on the bill on June 9.[8] The House of Representatives adopted the conference report on June 14, and the Senate, on June 15. The President approved the bill on June 21, 1955, on which date it became effective.[9]

PROVISIONS OF THE TRADE AGREEMENTS EXTENSION ACT OF 1955

As finally approved, the Trade Agreements Extension Act of 1955 (sec. 2) extends from June 12, 1955, until the close of June 30, 1958, the period during which the President is authorized to enter into trade agreements with foreign countries. In extending the President's authority, the Congress reiterated (sec. 3) its statement in some previous extension acts that enactment of the 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."

Section 3 of the new act amends section 350 of the Tariff Act of 1930 (the Trade Agreements Act). As so amended, section 350 authorizes the President to reduce United States import duties pursuant to trade-agreement negotiations, subject to two alternative limitations.[10] The first alternative limits reductions in import duties to not more than 15 percent of the rates existing on January 1, 1955. Under this method, the amount of reduction becoming initially effective at one time may not exceed 5 percent of the rate existing on January 1, 1955. No part of any such reduction may become initially effective until the immediately previous part has been in effect for not less than 1 year, and no part of any reduction may become initially effective after the expiration of the 3-year period which begins July 1, 1955. In effect, the extension act of 1955 authorizes the President, pursuant to trade-agreement negotiations, to reduce United States rates of duty by a maximum of 5 percent of the rates existing on January 1, 1955, in each of three consecutive 12-month periods, the first such period beginning on July 1, 1955. The President's authority to make such reductions is not cumulative from period to period. Because the legislation establishes a base date of January 1,

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[8] See H. Rept. 745 (84th Cong., 1st sess.), 1955.

[9] Public Law 86, (84th Cong., 1st sess.), 1955.

[10] The Trade Agreements Act of 1934 originally authorized the President to reduce import duties, pursuant to trade-agreement negotiations, by not more than 50 percent of the "existing" rates. The Trade Agreements Extension Act of 1945 authorized the President to reduce import duties by not more than 50 percent of the rates in effect on January 1, 1945.

1955, rates of duty reduced by 15 percent or more in the trade-agreement negotiations involving Japan may not be further reduced under the authority granted to the President by the first alternative.

The second alternative limits the reduction of import duties that are higher than 50 percent ad valorem (or the equivalent thereof) to a rate of 50 percent ad valorem (or the equivalent thereof). Under the second method, not more than one-third of the reduction in rates of duty may become initially effective at one time, and no part of any reduction may become initially effective until the immediately previous part has been in effect for not less than 1 year. In contrast to the first method, however, section 3 of the act does not prohibit reductions in rates of duty under the second method from becoming effective after the expiration of the 3-year period beginning July 1, 1955. The President may, therefore, reduce rates of duty under the second method after June 30, 1958, if such reduction is required to carry out a trade-agreement obligation entered into on or before that date.

Section 3 of the new act also amends section 350 of the Tariff Act of 1930 to provide that the President may—within carefully specified limits—exceed the duty-reduction limitations set forth in the act if he determines that such action will simplify the computation of the import duties involved.

To permit the President to complete the announced trade-agreement negotiations involving Japan after the expiration of his then current authority on June 11, 1955, section 3 of the extension act of 1955 authorizes the President, in order to carry out the agreement involving Japan, to reduce by 50 percent any rate of duty existing on January 1, 1945.

Section 3 of the new act further amends the existing trade agreements legislation by providing that the President shall submit to the Congress an annual report on the operation of the trade agreements program. The President's report is to include information regarding new negotiations, modifications made in import duties and import restrictions, reciprocal concessions obtained in trade agreements, modifications made in existing trade agreements (including the incorporation therein of escape clauses), and other information relating to the trade agreements program and to the trade agreements entered into under it. Section 3 of the act also provides that the Tariff Commission shall at all times keep informed concerning the operation and effect of provisions relating to duties or other restrictions contained in trade agreements that have already been entered into or that hereafter may be entered into, and directs the Tariff Commission, at least once a year, to submit to the Congress a factual report on the operation of the trade agreements program.[11]

[11] Since 1947 various Executive orders have directed the Tariff Commission to make a factual report to the President and to the Congress, at least once each year, on the operation of the trade agreements program.

Section 5 of the extension act of 1955 amends the escape-clause procedure by providing that the Tariff Commission shall immediately make public its findings and recommendations to the President (including any dissenting or separate findings and recommendations) and that it shall publish a summary of such findings and recommendations in the *Federal Register*.[12]

Section 6 of the extension act of 1955 amends the escape-clause procedure by specifying the extent to which increased imports must affect an industry before serious injury can be attributed to such imports, and by defining a "domestic industry" for escape-clause purposes. Under the amendments, increased imports, either actual or relative to domestic production, are to be considered as the cause or threat of serious injury to the domestic industry producing like or directly competitive products when the Tariff Commission finds that such increased imports have contributed substantially toward causing or threatening serious injury to such industry.

Under the amended escape-clause provision, the terms "domestic industry producing like or directly competitive products" and "domestic industry producing like or directly competitive articles" are defined (sec. 6) to mean that portion or subdivision of the producing organizations that manufacture, assemble, process, extract, grow, or otherwise produce like or directly competitive products or articles in commercial quantities. Where a particular business enterprise is engaged in operations involving more than one industry, or more than one readily determinable segment of a single industry, section 6 directs the Tariff Commission, in conducting its escape-clause investigations, to distinguish or separate, as far as practicable, the operations of such business enterprises that involve the "like or directly competitive products or articles" from its other operations.

Section 7 of the new act amends the existing trade agreements legislation by providing that whenever the Director of the Office of Defense Mobilization 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, 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 articles to a level that will not threaten to impair the national security.

[12] Under the provisions of the Trade Agreements Extension Act of 1951, as amended, the Tariff Commission did not make public its findings and recommendations to the President in escape-clause cases until 60 days after it had made its report to the President, or sooner if the President had acted on the Commission's recommendations.

Chapter 2

Review of the General Agreement on Tariffs and Trade, and the Proposed Organization for Trade Cooperation

STATUS OF THE GENERAL AGREEMENT

On June 30, 1955, 34 countries were contracting parties [1] to the multilateral agreement known as the General Agreement on Tariffs and Trade.[2] These countries are Australia, Austria, Belgium, Brazil, Burma, Canada, Ceylon, Chile, Cuba, Czechoslovakia, Denmark, the Dominican Republic, Finland, France, the Federal Republic of Germany, Greece, Haiti, India, Indonesia, Italy, Luxembourg, 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. Japan, which negotiated for accession to the General Agreement at Geneva in early 1955, had not become a contracting party by the end of the period covered by this report.[3]

At the end 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; and the Torquay Protocol of 1951, under which 4 other countries acceded. Indonesia, on behalf of which the Netherlands negotiated concessions at Geneva in 1947, became an independent contracting party in 1950. Since the Geneva Conference in 1947, a total of 38 countries have become contracting parties to the General Agreement. However, 4 countries that acceded to the agreement as a result of negotiations at Geneva in 1947 or at Annecy in 1949—the Republic of China, Lebanon, Liberia, and Syria—have since withdrawn from it.

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[1] The term "contracting parties," when rendered in initial capitals (Contracting Parties), refers to the member countries acting as a group. When rendered without initial capitals (contracting parties), it refers to member countries acting individually.

[2] For a discussion of the history and nature of the General Agreement, see *Operation of the Trade Agreements Program* reports as follows: First report, pt. 2; second report, pp. 19–21; third report, pp. 31–32; fourth report, pp. 35–36; fifth report, pp. 23–26; sixth report, pp. 25–27; and seventh report, pp. 25–26.

[3] Japan acceded to the General Agreement on September 10, 1955.

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, 1955, the Contracting Parties held 9 regular sessions. From the time the ad hoc Committee for Agenda and Intersessional Business was established in 1951, until June 30, 1955, it held 8 meetings.

At the Ninth Session of the Contracting Parties, which was held at Geneva, Switzerland, from October 28, 1954, to March 7, 1955, all 34 countries that were then contracting parties to the General Agreement were in attendance. Represented by observers were 14 countries that were not contracting parties: Argentina, Bolivia, Colombia, Costa Rica, El Salvador, Israel, Iran, Iraq, Japan, Libya, Mexico, Portugal, Switzerland, and Yugoslavia. International organizations that were represented at the Ninth Session were the United Nations, the International Monetary Fund, the International Labor Organization, the Food and Agriculture Organization, the Organization for European Economic Cooperation, the Council of Europe, the Customs Cooperation Council, and the High Authority of the European Coal and Steel Community.

In addition to the usual consultations and discussions at the Ninth Session relating to issues and problems that had arisen under the general provisions of the General Agreement, the Contracting Parties also undertook the scheduled review of the General Agreement, with a view to its amendment and reorganization in the light of the experience gained since it became provisionally effective. They made a number of proposals for its revision, and also negotiated an Agreement on the Organization for Trade Cooperation, which would provide a permanent basis for the administration of the General Agreement.

The subsequent discussion of the principal developments relating to the General Agreement during the period July 1954 through June 1955 covers two chapters. The balance of this chapter covers the scheduled review of the General Agreement and the proposed Agreement on the Organization for Trade Cooperation. Chapter 3 covers other important matters that the Contracting Parties considered at their Ninth Session, as well as other developments relating to the General Agreement during the period covered by this report.[4]

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[4] For decisions, resolutions, and reports of the Ninth Session, see Contracting Parties to the General Agreement on Tariffs and Trade, *Basic Instruments and Selected Documents*, Third Supplement: *Decisions, Resolutions, Reports, etc. of the Ninth Session*, Sales No.: GATT/1955–2, Geneva, 1955.

REVIEW OF THE GENERAL AGREEMENT

Origin and History

At the Eighth Session of the Contracting Parties in 1953, the Chairman submitted to the Contracting Parties a note suggesting that a review be made of the General Agreement, and proposing that the Contracting Parties hold a session for that purpose in 1954. In the discussion that followed, the consensus of the Contracting Parties was that such a review was necessary in the light of the experience that had been gained from 6 years of operation of the General Agreement. A number of delegates warned against sweeping attempts to revise or expand the scope of the agreement. Many delegates felt that the review should be directed to the attainment of the present objectives of the agreement.

As a result of the discussion, the Contracting Parties decided to convene a session, beginning in October 1954, to review the General Agreement and to determine to what extent it should be modified in order to more effectively attain its objectives. Individual contracting parties were invited to submit written proposals to the Executive Secretary not later than July 1, 1954. The Ninth Session of the Contracting Parties began on October 28, 1954, and the general review of the General Agreement began on November 8, 1954.

The first stage in the review of the General Agreement consisted of a series of statements before the Contracting Parties by representatives of various of the contracting parties as to the views of their countries on the General Agreement and the steps that should be taken to improve its administration.[5] The second stage consisted of a series of plenary discussions by the Contracting Parties of the more specific problems involved in the review of the General Agreement, and the establishment of four working parties to deal with the various proposals that the individual contracting parties had submitted.

The third stage in the review of the General Agreement consisted of the deliberations of the four working parties. These working parties, together with the subjects outlined for their consideration, were as follows:

I. *Quantitative restrictions:* Consideration of specific proposals regarding the use of quantitative restrictions for balance-of-payments purposes, for economic development, and for other protective purposes.

II. *Tariffs, schedules, and customs administration:* Consideration of specific proposals relating to tariff schedules, procedures for tariff reduction, most-favored-nation treatment, and customs administration.

III. *Barriers to trade other than quantitative restrictions or tariffs:* Consideration of specific proposals relating to subsidies (including export sub-

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[5] See General Agreement on Tariffs and Trade, Ninth Session of the Contracting Parties, Press Releases GATT/173 through 205, Nov. 8 to 15, 1954.

sidies and other export incentives), countervailing measures, state trading, disposal of noncommercial stocks, and general exceptions to the agreement

IV. *Organizational and functional questions:* Consideration of specific proposals relating to the administration of the agreement, and legal questions such as amendment procedures, entry into force, provisional application, and the scope of the agreement.

During the course of their deliberations, the four working parties made interim reports on their progress at plenary meetings of the Contracting Parties. These interim reports not only indicated to the Contracting Parties some of the principal questions that would have to be resolved, but also enabled the delegates to secure further instructions from their respective governments as to their position on certain questions.

The final stage in the review of the General Agreement consisted of a series of plenary meetings of the Contracting Parties, at which they reviewed the recommendations of the working parties and took action on them.

At the conclusion of their review, the Contracting Parties reaffirmed the basic objectives and obligations of the General Agreement—including the principle of nondiscrimination in international trade and the general prohibition against the use of quantitative restrictions on imports—and submitted to the contracting parties for their acceptance the proposed amendments to the general provisions of the agreement that are described in the next section of this chapter.

The proposed amendments to the General Agreement are embodied in the following three protocols: (1) The protocol amending part I and articles XXIX (tariff negotiations) and XXX (amendments); (2) the protocol amending the preamble and parts II and III; and (3) the protocol of organizational amendments. All three of these protocols, which were dated March 10, 1955, were open for signature until October 27, 1955, subject to an extension of the time for signature to be granted by the Contracting Parties to any contracting party that had been unable to sign by that date. The first mentioned protocol will become effective upon its acceptance by all contracting parties; the other two protocols will become effective upon their acceptance by two-thirds of the contracting parties. The United States signed the three protocols on March 21, 1955; Germany signed them ad referendum on March 31, 1955. Pending acceptance of the amendments to the general provisions by the requisite number of contracting parties, the existing unamended agreement will remain in effect.

At their Ninth Session the Contracting Parties also agreed to extend the assured life of the tariff concessions in the General Agreement through

December 31, 1957.[6] The declaration extending the assured life of the tariff concessions was open for signature until June 30, 1955. By that date, nine contracting parties, including the United States, had accepted the declaration; it became effective for those contracting parties on July 1, 1955. The declaration will become effective for other contracting parties upon their acceptance of it.

Proposed Amendments to the General Agreement

The amendments to the General Agreement that were proposed by the Contracting Parties as a result of their review at the Ninth Session are of 3 types: (1) Routine drafting and technical changes in certain of the general provisions; (2) minor technical changes in the general provisions designed to bring the agreement into conformity with the proposed Organization for Trade Cooperation;[7] and (3) substantive changes in 16 articles of the general provisions. Of the 19 other articles in the present agreement, 4 are not changed in the proposed revision. Minor changes in the remaining 15 articles are purely formal, technical, or drafting changes. The following discussion of the proposed amendments to the general provisions relates only to those that involve substantive changes.[8]

The general provisions of the General Agreement, as well as the proposed amendments to them, are complex and highly technical. The following discussion of them is written, as far as possible, in nontechnical language. For a more complete understanding of the provisions of the General Agreement and the proposed amendments to them, the reader should consult the original text and related documents, and the text of the proposed revision.[9]

[6] The assured life of the tariff concessions was due to expire on June 30, 1955. The Contracting Parties also amended the General Agreement to provide for the future automatic continuance of the concessions for 3-year periods after December 31, 1957, and made arrangements to permit—in special circumstances—the renegotiation of concessions.

[7] In this and subsequent sections of the report the Organization for Trade Cooperation is also referred to as the "Organization" and the "OTC."

[8] For an article-by-article comparison of the present agreement and the proposed revision, together with an explanation of the differences between the two versions, see U. S. Department of State, *General Agreement on Tariffs and Trade: Present Rules and Proposed Revisions*, 1955.

[9] See U. S. Department of State, *The General Agreement on Tariffs and Trade (Amended Text) and Texts of Related Documents*, Pub. 3758 (Commercial Pol. Ser. 124), 1950; and Contracting Parties to GATT, *Basic Instruments . . .*, vol. 1 (revised), *Text of the General Agreement, as amended, and of the Agreement on the Organization for Trade Cooperation*, Sales No.: GATT/1955–1, Geneva, 1955; vol. 2, *Decisions, Declarations, Resolutions, Rulings and Reports*, Sales No.: GATT/1952–4, Geneva, 1952; First Supplement, Sales No.: GATT/1953–1, Geneva, 1953; Second Supplement, Sales No.: GATT/1954–2, Geneva, 1954; and Third Supplement, Sales No.: GATT/1955–2, Geneva, 1955.

Article VI: Antidumping and countervailing duties

Article VI of the present agreement condemns "dumping" if it threatens or causes material injury to an established industry, or materially retards the establishment of an industry, in the territory of another contracting party. Article VI also provides that a country so injured may protect itself against dumping or injurious subsidization by imposing antidumping or countervailing duties, but prohibits the excessive or unwarranted use of such duties. The article also permits an importing country, with the prior approval of the Contracting Parties, to levy antidumping or countervailing duties on "dumped" imports to protect from injury, or the threat of injury, the industry of a third country that exports the product in question to its market.

In the proposed revision, that portion of article VI that relates to the use of countervailing duties to protect the industries of third countries has been amended in several respects. The revised article makes it mandatory for the OTC to grant an importing country permission to levy countervailing duties when the OTC finds that serious injury to a third country exists or is threatened. When delay would result in serious damage, the importing country may levy such duties without prior approval by the OTC, subject to the requirement that it promptly report its action to the OTC and withdraw the duty if the OTC subsequently disapproves it.

Article XII: Restrictions to safeguard the balance of payments

Article XI of the present agreement prohibits, with specified exceptions, the use by contracting parties of various nontariff restrictions (such as import prohibitions, quotas, licensing systems and other quantitative control measures) on international trade with other contracting parties. Article XII, however, recognizes that problems of postwar economic adjustment make it impracticable to attain this objective immediately. It therefore provides for temporary departure from the general rule when such departure is necessary to safeguard a country's balance of payments or to effect a necessary increase in its monetary reserves.

In the proposed revision of the General Agreement, article XI is not changed, except for the addition of an interpretative note. Article XII, however, is amended to provide more effectively for the removal of restrictions as a country's balance-of-payments position improves, and to insure that the trade interests of other countries are taken into account.

The proposed amendment retains the consultation procedure of the old article, but adds the requirement that all countries employing restrictions must submit annually to a comprehensive examination of (1) their restrictions, (2) the conformity of their policies with the rules of the General Agreement, and (3) the effect of their restrictions on other contracting parties. Separate provisions in amended article XVIII of the

agreement apply to underdeveloped countries, which would be required to consult on their restrictions every 2 years.[10]

If, under the amended article XII, the OTC finds that contracting parties are applying restrictions in a manner inconsistent with the General Agreement, it must indicate the nature of the inconsistency and may advise that the restrictions be suitably modified. If the OTC finds that the inconsistency is of a serious nature, and that it causes or threatens to cause damage to the trade of any contracting party, it is required to make recommendations for securing compliance with the agreement. If these recommendations are not carried out within a specified period, the OTC may authorize compensatory action against the contracting party that is applying the restrictions.

Article XIV: Exceptions to the rule of nondiscrimination

Article XIV of the present agreement provides for certain exceptions to the principle—set forth in article XIII—that quantitative restrictions employed by a contracting party must be administered in a nondiscriminatory manner. The present article lists three different criteria which, if met, permit a country to employ quantitative restrictions in a discriminatory manner.

The amended article XIV substitutes a single criterion under which a country may discriminate in the administration of quantitative restrictions. Under the provisions of the amended article, a contracting party may so discriminate only in a manner that has effects equivalent to those of exchange restrictions that it is at the time permitted to apply under the Articles of Agreement of the International Monetary Fund. The amended article also requires all contracting parties that are discriminating under article XIV to consult periodically with the Contracting Parties; under the present article only a few countries are required to do so.

Article XVI: Subsidies

Article XVI of the present agreement provides that if any contracting party grants or maintains any subsidy, including any form of income or price support which operates directly or indirectly to increase exports or to reduce imports, it must notify the Contracting Parties in writing as to the nature and extent of the subsidization. In any case in which it is determined that a subsidy seriously prejudices the interests of any other contracting party, the contracting party that grants the subsidy must discuss, with the other contracting party or parties concerned, or with the Contracting Parties, the possibility of limiting the subsidization.

The proposed amendment to article XVI adds provisions that are designed to limit the use of subsidies on the exportation of primary products. Contracting parties, according to the amended article, should seek to

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[10] See the section of this chapter entitled "Article XVIII: Governmental assistance to economic development."

avoid such subsidies. If, however, a contracting party does employ such subsidies, they shall not be applied in a manner which results in that contracting party having more than an equitable share of the world export trade in the product concerned. In determining such equitable share, account shall be taken of the shares of the various contracting parties in such trade during a previous representative period, and of any special factors that may have affected, or may be affecting, the trade in the product concerned.

The amended article also provides for the prohibition of export subsidies for nonprimary products or manufactures beginning January 1, 1958, or the earliest practicable date thereafter. Meanwhile, no contracting party would be permitted to introduce new subsidies on nonprimary products or to increase the scope of existing subsidies on such products beyond that which existed on January 1, 1955. An interpretative note to the amended article states, among other things, that the contracting parties will seek before the end of 1957 to reach an agreement to abolish all remaining subsidies as from January 1, 1958. Should they fail to reach such agreement, they will seek to extend the application of the "standstill" until they can expect to reach such an agreement.

Article XVII: State trading enterprises

Article XVII of the present agreement requires state trading enterprises to act in accordance with the same general principles of nondiscriminatory treatment that are prescribed for governmental measures applicable to private traders engaged in foreign trade. State trading enterprises are required, in effect, to be governed—in their purchases and sales affecting imports and exports—by the same commercial considerations that apply to private traders. The general rules applicable to state trading, however, do not apply to ordinary purchases by a government for its own use, as for its armed forces or for strategic stockpiling.

The proposed amendment to article XVII adds a paragraph that would recognize that state trading enterprises might be operated in such a manner as to create serious obstacles to trade, and that, therefore, negotiations designed to limit or reduce such obstacles are important to the expansion of international trade. Another added paragraph establishes a reporting procedure to provide information about state trading enterprises maintained by contracting parties. The reporting provisions are designed to provide interested contracting parties with the information necessary for negotiations with, or for a complaint against, a contracting party that is believed to be operating a state trading enterprise in a manner inconsistent with the provisions of the agreement.

Article XVIII: Governmental assistance to economic development

Article XVIII of the present agreement, as amended at Geneva in 1948, permits contracting parties to maintain, for purposes of economic devel-

opment or reconstruction, any nondiscriminatory, nontariff protective measures (such as quantitative restrictions) that were in existence on September 1, 1947. The provisions of article XVIII also permit contracting parties to impose new measures of special assistance to promote the development or reconstruction of their industry or agriculture. These measures may involve release from a negotiated commitment, from obligations under a general provision of the agreement, or both. Individual contracting parties must obtain prior approval from the Contracting Parties for these new measures. Approval of these new measures by the Contracting Parties is mandatory, however, if the quantitative restrictions meet certain specified standards, even though they otherwise conflict with the commercial-policy provisions of the agreement.

In the proposed amendment, article XVIII is completely revised. The revised article brings together in one place those provisions of the General Agreement that are most directly related to the problems of the underdeveloped countries. The provisions for imposing protective import restrictions designed to promote economic development are changed in two important respects. The revised article continues to provide for protective measures to promote the establishment, development, and reconstruction of industries, but it narrows the area of development substantially, and places the principal emphasis on the establishment of new industries. Underdeveloped countries may, with the possibility of compensatory withdrawals of concessions in the event the OTC disapproves, impose protective restrictions on products on which they have not granted tariff concessions. Under the revised article, they may do this without the prior approval of other contracting parties, whereas under the present article they must have such approval before they take action. With respect to products on which tariff concessions have been granted, the revised article provides special procedures to safeguard the interests of affected countries.

The revised article XVIII also authorizes underdeveloped countries to employ import restrictions for balance-of-payments reasons, provided such restrictions do not exceed those necessary to protect their monetary reserves. The present article XII provides similar authority, but the provisions in the amended article XVIII for the use of such restrictions are more strict in that they require all underdeveloped countries to submit their import restrictions to review and consultation.

The proposed amendment also provides for a revised tariff-renegotiation procedure for underdeveloped countries. Under this procedure, they may make tariff adjustments upon agreement with the substantially interested countries. If such agreement cannot be reached, an underdeveloped country may nevertheless make the adjustment it desires if the OTC considers that the country has offered adequate compensation to the substantially interested countries, or that it has made a reasonable effort to provide adequate compensation.

Article XX: General exceptions

Article XX of the present agreement provides for a number of general exceptions to the rules of the General Agreement besides those that are permitted in various special circumstances by other articles of the agreement. The general exceptions that are permitted under article XX are those that are customarily incorporated in international agreements, or that are designed to meet conditions peculiar to the transitional period. Examples are the adoption or enforcement of measures necessary to protect public morals, to protect human, animal, or plant life or health, to implement intergovernmental commodity agreements, and to deal with temporary situations arising out of World War II—such as the distribution of materials in short supply, the maintenance of price controls, and the liquidation of temporary surpluses.

Under the amended article XX, the exception relating to commodity agreements covers measures taken in pursuance of obligations under commodity agreements that conform to criteria that are not disapproved by the Organization for Trade Cooperation, or commodity agreements that are themselves not disapproved. An interpretative note makes it clear that the exception will apply to any commodity agreement that conforms to the principles approved by the Economic and Social Council of the United Nations in its resolution of March 28, 1947, which is the criterion of the present exception.

In the amended article, the exception relating to the distribution of articles in short supply is retained. The exceptions relating to the maintenance of price controls and the liquidation of temporary surpluses are eliminated, since they refer to temporary situations that no longer exist.

Article XXV: The Organization for Trade Cooperation

Article XXV of the present agreement, which is entitled "Joint Action by the Contracting Parties," provides for meetings of the contracting parties to give effect to those provisions of the agreement that involve joint action. It also provides that the Contracting Parties may grant to a contracting party a waiver of its obligations in exceptional circumstances.

The present article is replaced by an entirely new article XXV. The new article provides that the proposed Organization for Trade Cooperation will administer the General Agreement; that contracting parties to the General Agreement will become members of the OTC as soon as possible; and that those contracting parties which have accepted the Agreement on the Organization for Trade Cooperation may decide at any time after its entry into force that any contracting party that has not accepted it shall cease to be a contracting party.

The substance of those provisions of the present article XXV that relate to meetings of the contracting parties and to the granting of waivers has been transferred to the Agreement on the Organization for Trade

Cooperation. The provisions relating to compensatory action against a contracting party that unreasonably fails to enter into tariff negotiations with another contracting party have been eliminated, since article XXXV of the General Agreement provides much broader rights.

Article XXVIII: Modification of schedules

Article XXVIII of the General Agreement originally provided that contracting parties might modify their schedules of concessions after January 1, 1951, without joint action by the Contracting Parties. Commencing with that date, any contracting party was permitted to withdraw or modify a concession it had originally granted. The contracting party desiring to do so was first required to negotiate with the contracting party with which it had originally negotiated the concession. It was also required to consult with other contracting parties that had a substantial interest in the concession. In such negotiations, provision might be made for compensatory adjustments with respect to other products. Another provision of article XXVIII stipulates that if agreement cannot be reached, the concession in question may nevertheless be withdrawn or modified. However, the country to which the concession was originally granted and the other contracting parties that have a substantial interest in it may thereupon themselves withdraw concessions that are substantially equivalent to those that have been withdrawn from them.

To prevent the "unraveling" of the tariff concessions in the General Agreement through a process of withdrawal or retaliation, the Contracting Parties have twice extended the date after which contracting parties might modify their schedules without joint action. The most recent extension, before the Ninth Session of the Contracting Parties, prolonged the assured life of the tariff concessions through June 30, 1955. At their Ninth Session the Contracting Parties agreed to extend the assured life of the concessions through December 31, 1957.

The amended article XXVIII provides (1) for further automatic extensions of the assured life of the concessions for periods of 3 years, unless the contracting parties agree on other periods by two-thirds of the vote cast; (2) for procedures for making adjustments in tariff concessions, under special circumstances, during the "bound" periods; and (3) for altering the procedures that may be followed at the end of a bound period by countries that desire to withdraw or modify a concession.

Under the revised procedures a country that desires to modify or withdraw a concession is required to seek a settlement with countries that would have a principal supplying interest in the absence of discriminatory quantitative restrictions.

The procedures for withdrawing or modifying a concession during the bound period differ from those that are applicable at the end of a bound period. During a bound period a country may not proceed in the absence of agreement with the other countries primarily concerned, except when

it has referred the matter to the OTC and has been found by the OTC to have offered adequate compensation or to have reasonable grounds for having failed to offer adequate compensation. If a country does proceed in the absence of agreement with the countries primarily concerned, those countries may withdraw concessions which, in their judgment, are substantially equivalent. At the end of each bound period, a country may withdraw or modify a concession, subject—in any instance in which agreement is not reached—to retaliation by the countries that are adversely affected.

Article XXIX: Tariff negotiations

Article XXIX of the present agreement sets forth the relationship between the General Agreement and the now defunct Havana Charter for an International Trade Organization. In the proposed revision, this article is deleted, and is replaced by an entirely new article entitled "Tariff Negotiations."

The new article XXIX recognizes that customs duties often constitute serious obstacles to trade, and that negotiations designed to substantially reduce the general level of tariffs and other charges on imports and exports are of great importance to the expansion of international trade. The new article sets forth the authority of the OTC to sponsor such negotiations, and recognizes that the success of such negotiations will depend on participation by all major trading nations. The article provides that negotiations under its provisions may be carried out on a selective product-by-product basis, or by the application of such multilateral procedures as may be accepted by the contracting parties concerned. It further provides that tariff negotiations shall be conducted on a basis that affords adequate opportunity to take into account (1) the needs of individual countries and individual industries, (2) the special needs of less developed countries, and (3) all other relevant circumstances, including the fiscal, developmental, strategic, and other needs of the contracting parties concerned. The new article also states that, in principle, the binding against increase of low duties or of duty-free treatment shall be recognized as a concession equivalent in value to the reduction of high duties.

Substantive amendments to other articles

Besides the major amendments to the 10 articles that have already been discussed, the Contracting Parties at their Ninth Session proposed minor amendments to 6 other articles.

Article I of the proposed revision of the General Agreement, which is entitled "Objectives," contains—with certain drafting changes—the preamble of the present agreement, and adds, as an additional objective of the contracting parties, the promotion of "the progressive development of the economies of all the contracting parties."

The new article II, which is entitled "General Most-Favored-Nation Treatment," replaces article I of the present agreement. The new article contains minor amendments designed to take into account changes that have been made elsewhere in the general provisions of the agreement, and to make clear that the obligation to provide equality of treatment applies also to the imposition of internal taxes on exported commodities.

Article III of the proposed revision, which is entitled "Schedules of Concessions," is the same as article II of the present agreement, with minor amendments. One amendment makes explicit the general rule that an importer will not be subject to newly imposed taxes or charges when he obtains foreign exchange to pay for an imported product on which a tariff concession has been made in the General Agreement. The other amendment brings the phraseology of paragraph 6 (a) of the article into harmony with the practices of the International Monetary Fund regarding the recognized par values of currencies.

Article IX of the present agreement, entitled "Marks of Origin," is designed to prevent requirements for the marking of products from being used to restrict imports. It also requires equality of treatment, with respect to marking requirements, for the products of all contracting parties. The amended article IX contains a new paragraph which recognizes that the difficulties and inconveniences caused by requirements for marks of origin should be reduced to the minimum necessary to protect consumers against fraudulent or misleading indications.

Article XXII of the present agreement, which is entitled "Consultation," provides that each contracting party shall afford sympathetic consideration to, and adequate opportunity for, consultation regarding such representations as may be made by another contracting party with respect to a number of specified matters. In the amended article XXII, references to specific matters are deleted. A new provision authorizes the OTC, at the request of a contracting party, to consult with any contracting party or parties regarding matters that have not been satisfactorily adjusted by bilateral discussions under the article.

Article XXVI of the present agreement, which is entitled "Acceptance, Entry Into Force and Registration," specifies the procedures to be followed for definitive acceptance of the agreement, as well as certain procedures relating to the application of the agreement to dependent areas of contracting parties. The present article provides for definitive entry into force of the agreement when it is accepted by contracting parties that account for 85 percent of the external trade of the contracting parties. The amended article XXVI provides for the inclusion in this computation of the countries that have accepted the agreement since 1947, and also for the inclusion of Japan if that country accedes before the General Agreement enters into force definitively under these procedures. The present article provides that notices of acceptance of the General Agree-

ment shall be deposited with the United Nations; the amended article provides that notices of acceptance shall be deposited with the proposed Organization for Trade Cooperation.

THE AGREEMENT ON THE ORGANIZATION FOR TRADE COOPERATION

Origin and History

The General Agreement on Tariffs and Trade does not provide for any continuing organization for its administration. From time to time the Contracting Parties have met to consider matters arising out of the application of the agreement, but without a permanent organization.

Originally, the general provisions of the General Agreement were to have been superseded by the Charter for an International Trade Organization that had been proposed.[11] In 1950, when it became apparent that the proposed International Trade Organization would not be established in the foreseeable future, the Contracting Parties examined the possibility of improving and strengthening the administrative features of the General Agreement. They concluded, however, that it would be premature to change the existing administrative arrangements radically, or to amend the agreement in piecemeal fashion. They decided, therefore, to devise methods for dealing with urgent problems that arise when the Contracting Parties are not in session, as well as for conducting tariff negotiations in the interim between full-scale conferences.

As a result of discussions at the Sixth Session of the Contracting Parties in 1951, the ad hoc Committee for Agenda and Intersessional Business was established to operate on an experimental basis between the Sixth and Seventh Sessions. The Intersessional Committee provided, for the first time, a formal arrangement for considering problems that require immediate action between the regular sessions of the Contracting Parties. Between 1951 and the end of the period covered by this report (June 30, 1955), the Intersessional Committee held 8 meetings.

At the beginning of the Sixth Session in 1951, the United States suggested that the Contracting Parties make some arrangement for conducting tariff negotiations under the General Agreement without convening full-scale conferences of the Geneva-Annecy-Torquay type. To explore this proposal, and to devise a fairly simple technique for interconference negotiations, the Contracting Parties established a working party. The report of the working party, which was adopted during the Sixth Session, established rules for (1) negotiations with nonmember countries that wish to accede to the General Agreement and (2) negotia-

[11] For discussions of the proposed Charter for an International Trade Organization, see *Operation of the Trade Agreements Program* (first report), pt. II, pp. 17–19; and *Operation of the Trade Agreements Program* (third report), pp. 31–32.

tions between two or more contracting parties that wish to negotiate with each other and to incorporate the results of their negotiations into the agreement.[12]

At the Eighth Session in 1953, the Chairman of the Contracting Parties submitted to the Contracting Parties a note suggesting a review of the General Agreement, and proposing that the Contracting Parties hold a session for that purpose in 1954. After discussion, the Contracting Parties decided to convene a session, beginning in October 1954, to review the General Agreement and to determine to what extent it would be desirable to amend or supplement its existing provisions, and what modifications should be made in the arrangements for its administration. Individual contracting parties were invited to submit written proposals to the Executive Secretary not later than July 1, 1954.

In its report to the President of the United States on January 23, 1954, the Commission on Foreign Economic Policy—the "Randall Commission"—stated that—

> The General Agreement on Tariffs and Trade has never been reviewed and approved by the Congress. Indeed, questions concerning the constitutionality of some aspects of the United States participation in the General Agreement have been raised in the Congress. This has created uncertainty about the future role of the United States in the General Agreement.

The Commission on Foreign Economic Policy therefore recommended that—

> The organizational provisions of the General Agreement on Tariffs and Trade should be renegotiated with a view to confining the functions of the contracting parties to sponsoring multilateral trade negotiations, recommending broad trade policies for individual consideration by the legislative or other appropriate authorities in the various countries, and providing a forum for consultation regarding trade disputes. The organizational provisions renegotiated in accordance with this recommendation should be submitted to the Congress for approval either as a treaty or by joint resolution.[13]

In his message to the Congress on March 30, 1954, the President called for the renegotiation of the organizational provisions of the General Agreement, in accordance with the recommendations of the Randall Commission. The President stated that when the organizational provisions had been renegotiated he would submit them to the Congress for its approval.

The general review of the General Agreement began on November 8, 1954, during the Ninth Session of the Contracting Parties, which extended from October 28, 1954, to March 7, 1955. Besides agreeing on a number of amendments to the general provisions of the General Agreement, and extending the assured life of the tariff concessions until December 31, 1957,

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[12] For a discussion of the rules adopted for interconference negotiations, see *Operation of the Trade Agreements Program* (fifth report), pp. 39–40.

[13] Commission on Foreign Economic Policy, *Report to the President and the Congress*, January 1954, p. 49.

the delegates to the Ninth Session of the Contracting Parties negotiated an Agreement on the Organization for Trade Cooperation. The principal function of the proposed Organization would be to administer the General Agreement on Tariffs and Trade.

Purpose, Functions, and Status

The stated purpose of the proposed Organization for Trade Cooperation (art. 1) is the further achievement of the purposes and objectives of the General Agreement on Tariffs and Trade. The Organization is intended primarily to provide permanent arrangements for the administration of the General Agreement. Under the proposed Organization, the functions that have been performed by the Contracting Parties in their informal periodic sessions would be transferred to the OTC. Under the new arrangement, the periodic multilateral tariff negotiations that have been sponsored by the Contracting Parties would be sponsored by the OTC (art. 3 (b) (ii)). The Organization would also serve—as have the periodic sessions of the Contracting Parties—as an intergovernmental forum for consultations on questions relating to international trade (art. 3 (b) (i)). The Organization would (art. 3 (b) (iii)) study questions relating to international trade and commercial policy and, where appropriate, make recommendations thereon. It would also (art. 3 (b) (iv)) collect, analyze, and publish information and statistical data relating to international trade and commercial policy, having due regard for the activities of other international bodies in this field. The Organization would have no authority to amend the provisions of the General Agreement,[14] and no decision or other action of the Assembly or any subsidiary body of the Organization would have the effect of imposing on a member any new obligation that the member had not specifically agreed to assume (art. 3 (d)).

The proposed Organization would have a legal personality (art. 10 (a)), and would enjoy in each of the member countries such legal capacity, privileges, and immunities as might be necessary to exercise its functions (art. 10 (b)). Likewise, the representatives of the members and the officials of the Organization would similarly enjoy such privileges and immunities as might be necessary for the independent exercise of their functions (art. 10 (c)). The privileges and immunities to be accorded to the Organization, its officials, and the representatives of member countries would be similar to those accorded by the particular member to specialized agencies of the United Nations (art. 10 (d)).

Under the provisions of the Agreement on the Organization for Trade Cooperation (art. 11 (a)), the Organization would be authorized to make arrangements with those intergovernmental bodies and agencies that have related responsibilities, in order to provide for effective cooperation and

[14] Procedures for amendment of the General Agreement by the Contracting Parties are set forth in article XXX of the General Agreement.

to avoid unnecessary duplication of activities. The Organization would also be empowered (art. 11 (c)) to make suitable arrangements for consultation and cooperation with nongovernmental organizations concerned with matters within the scope of the Organization. The agreement also provides (art. 11 (b)) that the Organization may, if the Assembly approves, become a specialized agency of the United Nations.

Membership and Contributions

The Agreement on the Organization for Trade Cooperation provides that the members of the Organization shall be the contracting parties to the General Agreement (art. 2). The Organization would be authorized, by a two-thirds majority of the vote cast, to invite countries that are not contracting parties to participate in such of its activities, and on such terms, as it might decide. Countries so invited would not have the right to vote or to be counted in determining the fulfillment of relevant voting requirements when the Organization was exercising any function related directly to the General Agreement.

Expenses of the proposed Organization would be apportioned by the Assembly among the members, in accordance with a scale of contributions to be determined by the Assembly (art. 9 (b)). The Director-General would be charged with presenting to the Assembly—through the Executive Committee—the annual budget estimates and financial statement of the Organization (art. 9 (a)). Members in arrears in the payment of their contributions for 2 financial years would have no vote, and would not be counted in determining the fulfillment of relevant voting requirements in the subsidiary bodies of the Organization. If, however, the Assembly should be satisfied that a member's failure to pay its contribution resulted from circumstances beyond its control, the Assembly could permit such a member to vote, and then such a member would be counted in determining the fulfillment of relevant voting requirements (art. 9 (c)).

Organization

For purposes of administration, the Agreement on the Organization for Trade Cooperation (art. 4) provides that the Organization shall consist of an Assembly, an Executive Committee, and a Secretariat. The Assembly, which would replace the present periodic sessions of the Contracting Parties, and carry out the functions of the Organization, would consist of all the members of the Organization. Each member of the Assembly would be entitled to one vote, and—except as otherwise provided—decisions of the Assembly would be by majority vote. The Assembly, which would be empowered to determine the seat of the Organization and to establish its own rules of procedure, would meet in a regular annual session and in such special sessions as it might decide to convene (art. 5).

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The Executive Committee would consist of 17 members of the Organization, elected periodically by the Assembly. The Agreement on the OTC establishes certain criteria for the selection of members of the Executive Committee. The Committee would include representatives of the 5 members of chief economic importance, in the selection of which particular regard would be paid to their shares in international trade. It would be representative of the broad geographical areas to which the members belong, and of different degrees of economic development, different types of economies, and different economic interests. Each member of the Executive Committee would be entitled to one vote. Any member of the Organization that was not a member of the Executive Committee would be entitled to participate in its discussions on any matter of concern to it, without the right to vote. Decisions or recommendations of the Executive Committee would require a majority of two-thirds of the votes cast, and such decisions and recommendations would be subject to the right of appeal to the Assembly by any member of the Organization (art. 6).

The Secretariat of the Organization for Trade Cooperation, the powers and duties of which would be specified by the Assembly, would consist of a Director-General and members of the staff. The Director-General would appoint staff members, and would establish their duties and conditions of service in accordance with regulations approved by the Assembly. Selection of staff members would be made, as far as possible, on a wide geographical basis, with due regard to the various types of economies represented by member countries. The Director-General, or his representative, would participate in all meetings of the Assembly and subsidiary bodies of the Organization, but would not have the right to vote. The agreement specifies that the responsibilities of the Director-General and the staff members would be exclusively international in character, and that they would neither seek nor receive instructions from any government or from any authority external to the Organization. Likewise, the member countries would respect the international character of the members of the Secretariat, and would not seek to influence them in the discharge of their duties (art. 7).

Relationship to the General Agreement

The Agreement on the Organization for Trade Cooperation contains special provisions (arts. 12–15) relating to the administration of the General Agreement. The Organization would be directed (art. 12) to give effect to those provisions of the General Agreement that provide for action by the Organization, and to carry out such other activities related to the General Agreement as involve joint action. The Assembly would be authorized, subject to certain specified conditions, to waive an obligation imposed on a contracting party by the General Agreement (art. 13).

Should a claim of nullification or impairment of a benefit accruing under the General Agreement be referred to the OTC, the agreement provides (art. 14 (a)) that the Organization shall promptly investigate the matter and make appropriate recommendations to the contracting parties concerned, or make a ruling on the matter. Should the Organization consider that the circumstances are serious enough to justify such action, it would be permitted to authorize a contracting party or parties to suspend the application to any other contracting party or parties of such concessions or other obligations under the General Agreement as it determines to be appropriate (art. 14 (b)). Upon the suspension of any such obligation or concession, the contracting party against whom the action was taken would be free, not later than 60 days after such action, to give written notice of its intention to withdraw from the General Agreement. Such withdrawal would become effective 60 days after the Director-General of the Secretariat received such notice.

Under the agreement (art. 15), members of the OTC could not, acting as contracting parties to the General Agreement, amend the General Agreement so as to provide therein for procedures—other than for consultation, negotiation, or recommendation—that would be applicable to the general situations envisaged in articles 13 and 14.

Entry Into Force and Transitional Provisions

Articles 16 through 21 of the Agreement on the Organization for Trade Cooperation provide, among other things, for amendment of the agreement, for its entry into force, for provisional application of the agreement, and for the relationship to it of amendments to the General Agreement.

Amendments to the Agreement on the OTC would become effective, with respect to those members who accepted them, upon their acceptance by two-thirds of the members of the Organization, and thereafter, with respect to each other member, when it accepted them (art. 16).

Articles 17 and 18 of the Agreement on the OTC provide for its entry into force, and for its notification and registration. The agreement was opened at Geneva on March 10, 1955, for acceptance, by signature or otherwise, by contracting parties to the General Agreement, and by any other government that has notified the Director-General of its intention to accede (art. 17 (b)). The agreement would enter into force, with respect to those countries that accept it and are then contracting parties to the General Agreement, 30 days after it had been accepted by countries that account for 85 percent of the total external trade of the countries listed in the table annexed to the agreement. For each other country that is a contracting party to the General Agreement, the agreement would enter into force 30 days after it was accepted by such country; for each other country that accepted the agreement, it would enter into force when that country accedes to the General Agreement (art. 17 (c)).

The agreement provides that it shall be deposited with the Director-General of the Organization (art. 17 (a)). The Director-General is directed (art. 18 (a)) to furnish promptly to each contracting party to the General Agreement a certified copy of the Agreement on the OTC, as well as a notification of its entry into force and of each acceptance of it (art. 18 (a)). The agreement also provides that it shall be registered in accordance with article 102 of the Charter of the United Nations (art. 18 (b)).

Should the Agreement on the Organization for Trade Cooperation enter into force before the entry into force of the amendments to the General Agreement that were adopted at the Ninth Session of the Contracting Parties (those contained in the Protocols Amending the General Agreement, dated March 10, 1955), the agreement shall, until the entry into force of such amendments, be applied as if all references in the General Agreement to the "Contracting Parties" were references to the Organization for Trade Cooperation (art. 19).

If the agreement has not entered into force by November 15, 1955, those countries that are contracting parties to the General Agreement, and that are prepared to do so, may nevertheless decide to apply it (art. 20), provided the countries concerned account for the percentage of trade required under article 17 (c).

The agreement also provides that, pending its entry into force, the title "Director-General of the Organization" in articles 14 (b), 17 (a), 17 (b), and 18 (a) shall read "Executive Secretary to the Contracting Parties to the General Agreement."

Status of the Agreement

The Agreement on the Organization for Trade Cooperation was approved by the Contracting Parties in plenary session on March 7, 1955, and was opened for signature at Geneva on March 10, 1955. It was signed by the United States—subject to approval by the United States Congress—on March 21, 1955, and by Germany—ad referendum—on March 31, 1955.

The agreement will enter into force when it is accepted by countries that account for 85 percent of the foreign trade conducted by the contracting parties to the General Agreement. Under this arrangement, the agreement could not enter into force unless it is accepted by the United States, since the United States accounts for more than 20 percent of the total foreign trade of the contracting parties to the General Agreement.

On April 14, 1955, the President of the United States sent a message to the Congress urging it to enact legislation authorizing United States membership in the proposed Organization for Trade Cooperation. On the same day, House bill 5550—which embodied the President's pro-

posals—was introduced in the House of Representatives and was referred to the Committee on Ways and Means.

In a letter of July 14, 1955, the chairman of the House Committee on Ways and Means informed the President that, because of the heavy workload of the committee, there might not be time before adjournment of the Congress to give to House bill 5550 the full hearings and consideration that it deserved. He asked the President whether he desired that the committee try to proceed on the proposed legislation in the limited time that remained; and he suggested that, if the President felt that full hearings and consideration were necessary, the proposed legislation be scheduled for consideration early in the next session of the Congress.

On July 15, 1955, in a letter to the chairman of the House Committee on Ways and Means, the President stated that he readily understood the Committee's problem of arranging adequate consideration of House bill 5550, that he shared the chairman's view that the committee would be ill-advised to launch consideration of the bill when so little time remained in the session, and that a matter of this vital importance should have thorough hearings, discussion, and debate.

Chapter 3

Developments Relating to the General Provisions and Administration of the General Agreement

The subsequent discussion of the developments relating to the General Agreement on Tariffs and Trade during the period July 1954 through June 1955 is divided into the following sections: (1) General provisions of the agreement; (2) tariffs and tariff negotiations; (3) administration of the agreement; and (4) other developments. These headings cover not only the principal developments at the Ninth Session of the Contracting Parties, which was held at Geneva from October 28, 1954, to March 7, 1955, but also other important developments relating to the General Agreement during the period covered by this report.

GENERAL PROVISIONS OF THE AGREEMENT [1]

Most-Favored-Nation Treatment (Art. I)

Article I of the General Agreement incorporates the most-favored-nation clause in its unconditional form. The principal purpose of the article is to assure that each contracting party will apply to imports from any other contracting party no higher customs duties or internal taxes than it applies to imports of like products from any other country. Article I also provides, however, for certain exceptions to this general principle. These exceptions relate to specified preferential trade arrangements, such as those involving the British Commonwealth, France and its overseas areas, and the United States and Cuba and the Philippines. The article provides that the margins of preference with respect to such trade may not be increased above those that were in effect on various specified dates.[2] From time to time the Contracting Parties have granted to individual contracting parties waivers from their obligations under article I, to permit them to deal with trade problems that require special consideration.

[1] The numbers of the articles of the general provisions, as used in this chapter, are those of the unamended agreement. The amended agreement is not yet in force.

[2] For a list of the territories included in the various preferential trading systems, see U. S. Department of State, *The General Agreement on Tariffs and Trade (Amended Text) and Texts of Related Documents*, Pub. 3758 (Commercial Pol. Ser. 124), 1950, Annexes A through F, and Annex G, which lists the dates establishing the maximum margins of preference referred to in par. 4 of art. I.

Waiver of certain United Kingdom obligations with respect to products entered free of duty from the Commonwealth

At their Eighth Session the Contracting Parties granted the United Kingdom's request for a waiver, under the provisions of article I, of certain of its obligations that relate to the binding of margins of tariff preference. Under paragraph 4 (b) of article I, the margin of preference that the United Kingdom accords Commonwealth countries on tariff items that are not bound in its schedule of concessions (schedule XIX) may not exceed the level that existed on April 10, 1947. Thus, if the United Kingdom increases the rate of duty applicable to a product imported from a nonpreference country, it must also increase—to the same extent—the duty applicable to a like product imported from a preference country.

Under the preferential trade arrangements that have been in effect between the United Kingdom and Commonwealth countries since 1931, numerous commodities imported into the United Kingdom from Commonwealth countries have been accorded duty-free entry, although some of these commodities are subject to duty when imported from other countries. Because article I provides that existing margins of preference shall not be increased, the United Kingdom may not increase the rates of duty on these items—even though they are not specifically bound in the General Agreement. Any increases in the tariff on them that apply to non-Commonwealth countries would only increase the margin of preference, and consequently would constitute a violation of article I.

Legislative action by the United Kingdom would be required to impose import duties on Commonwealth products that are imported free of duty, and the United Kingdom has been unwilling to depart from the principle of duty-free treatment to secure technical compliance with the rules of the General Agreement. Accordingly, it requested a waiver permitting it to increase rates of duty on imports of unbound items from non-Commonwealth countries without imposing duties on those items when imported from Commonwealth countries. The United Kingdom indicated that the purpose of the waiver was to permit the United Kingdom to raise unbound rates of duty, as other contracting parties have the right to do, in the limited number of instances where the need for increased tariff protection has been demonstrated. The United Kingdom indicated its readiness to provide suitable safeguards to prevent an increase in the margin of preference from resulting in a substantial diversion of trade to the Commonwealth.

The waiver that the Contracting Parties granted to the United Kingdom permits it to impose or increase duties on unbound items from foreign countries, without imposing similar duties on goods from Commonwealth sources. The waiver, however, is subject to certain conditions. The waiver will not apply if the proposed increase in the margin of preference

would tend to result in a substantial diversion of trade to Commonwealth countries, nor will it apply to goods normally imported from Commonwealth countries on which the United Kingdom has imposed import duties at any time since January 1, 1939. Thus, if Commonwealth goods are subject to import duties, an increase in the margin of preference is not permissible.

Under the terms of the waiver, the United Kingdom must notify the contracting party or parties that are likely to have a substantial interest in the item in question of its desire to act under the waiver, and it must consult on the proposed action with any such member that requests it to do so. The terms of the waiver also establish an arbitration procedure for use by the Contracting Parties in the event that no agreement is reached. Should there be no likelihood of diversion of trade, the waiver will apply. If a substantial diversion of trade is likely, the waiver will not apply, and, if the evidence is not clear as to whether there will be substantial diversion of trade, the waiver will apply conditionally. In the latter instance, the waiver will become effective, but if, upon the request of an interested contracting party, the Contracting Parties determine after a reasonable period of time (not less than 1 year) that the increase in the margin of preference has led to a substantial diversion of trade, the waiver shall cease to apply.

The United Kingdom made its first annual report to the Contracting Parties on its actions under the waiver at the Ninth Session. The report indicated that the waiver had been employed to increase the unbound rates of duty on certain fresh and preserved fruit and vegetables, foliage, nursery stock, and certain flowers. In effecting these increases, the United Kingdom held consultations, upon request, with the interested contracting parties; in each instance the parties agreed that the waiver should apply. However, certain of the countries with which the United Kingdom consulted reserved the right to reopen negotiations if, at a later date, it appeared that the increase in the margin of preference had resulted in a substantial diversion of trade. The countries, and the items concerned, were as follows:

Netherlands	Dried peas and nursery stock
France and Italy	Certain fresh and preserved fruits and vegetables
United States	Plums

The waiver from the provisions of article I that the Contracting Parties granted to the United Kingdom applied only to items on which no concessions under the General Agreement were in effect at the time the waiver was granted. At the Ninth Session, the United Kingdom requested an amendment to the waiver, to permit it to increase the margin of preference on items on which concessions under the General Agreement were in effect at the time the waiver was approved but for which the concessions

subsequently had been removed or modified.[3] As the United Kingdom's proposal was in the spirit of the original waiver, the Contracting Parties approved the amendment.[4]

Waiver for Australia to grant special treatment to products of Papua and New Guinea

At their Eighth Session, the Contracting Parties granted Australia a waiver of certain of its obligations under article I, to enable it to accord preferential treatment to primary products imported by Australia from the territories of Papua and New Guinea. Australia requested the waiver with a view to promoting the economic development of the two territories.

As a result of the waiver, Australia may grant or increase tariff preferences on primary products that are imported into Australia from Papua and New Guinea so long as such products are not subject to Australian tariff concessions under the General Agreement. The terms of the waiver contain safeguards to insure that it will be used to promote the economic development of the two territories, and that it will not result in material injury to the trade of other contracting parties. Australia is required to notify the Contracting Parties before it takes any action. It must also consult with any contracting party that considers that such action would injure its trade with Australia, or that such action would provide additional protection to Australia's domestic production. The waiver provides arbitration procedures for use if no agreement is reached through such consultations. It also requires Australia to report annually to the Contracting Parties on the measures it has taken; the reports are to include information on the effects of those measures on the trade of Papua and New Guinea and on imports of products into Australia from all sources. If, with respect to the waiver, the underlying economic factors affecting the production and trade of the two territories should change so as to cause or threaten substantial injury to the trade of any contracting party, the Contracting Parties retain the right to review their decision in the light of all the relevant factors.

During the Ninth Session, Australia reported that it had not yet acted under the terms of the waiver. Subsequently it notified the Contracting Parties that, as of May 27, 1955, it would admit plywood (tariff

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[3] The proposal stipulated that such concessions must have been modified or withdrawn consistently with the provisions of the General Agreement, and that the proposed change in the preferential customs treatment would be made only in conformity with the conditions and procedures established by the waiver granted at the Eighth Session.

[4] Besides the waiver from its obligations under art. I respecting margins of preference, the Contracting Parties also granted the United Kingdom a special waiver with respect to arts. I, XVI, and XIX, to permit it to deal with economic problems related to dependent overseas territories for whose international relations it is responsible. This special waiver is discussed in the section of this chapter entitled "Other developments."

item ex–291M) imported from the territories free of duty up to an amount not exceeding 12 million square feet (3/16-inch basis) a year.

Italian preferential customs treatment of Libyan products

At their Sixth Session in 1951, the Contracting Parties granted Italy a waiver permitting it to extend, for a period of 1 year, preferential customs treatment to a specified list of products of which Libya is Italy's principal foreign supplier. The waiver, which exempted Italy from its most-favored-nation obligations under article I of the General Agreement, was designed to facilitate the development of Libya's internal economy during that country's transition to an independent state. The Contracting Parties recognized that Libya would encounter difficulties in establishing its export trade, and that preferential treatment of its exports to Italy—which had been its principal export market in the past—would aid it in meeting transitional problems.

At their Seventh Session in 1952, the Contracting Parties approved Italy's request that it be permitted to continue to accord preferential customs treatment to certain commodities imported into Italy from Libya. The waiver, therefore, was extended for a period of 3 years—to December 31, 1955. The Contracting Parties approved certain modifications in the list of products on which preferential customs treatment had been permitted, and specified that subsequent extensions of the waiver at yearly intervals beyond December 31, 1955, would be granted only if the Contracting Parties consider such extensions necessary. The Contracting Parties requested Italy to submit annual reports, not later than September 1 of each year, on the development of Italian-Libyan trade under the preferential system; they also requested Libya to submit annual reports on its economic progress.[5]

At the Ninth Session of the Contracting Parties, Italy and Libya presented their second annual report on the waiver.[6] The report noted that imports into Italy from Libya of products subject to the waiver had increased steadily, thereby contributing to the improvement of economic conditions in Libya. From 1952 to 1953, for example, such imports increased about 25 percent in terms of quantity and about 20 percent in terms of value. The items subject to the terms of the waiver accounted for 31 percent of the total value of Italy's imports from Libya in 1953, whereas they had accounted for only 17 percent in 1952. The report indicated that, although Libya's program for the development of international trade on a normal competitive basis is expected to be fulfilled

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[5] The various economic programs that have been, or are being, put into operation in Libya were discussed in detail in *Operation of the Trade Agreements Program* (seventh report), pp. 31–32.

[6] For a discussion of the first annual report on the waiver, see *Operation of the Trade Agreements Program* (seventh report), pp. 31–32.

at the earliest possible date, it was hoped the waiver could be continued during the early years of Libya's status as an independent state.

Pursuant to a request by the two countries, the Contracting Parties amended the waiver to increase the annual duty-free quota for olive oil from 1,000 tons to 2,500 tons. The increase in the quota, applicable only to December 31, 1955, was granted to assist Libya in disposing of its 1954 output of olive oil, which exceeded the estimates that had been made at the time the waiver was first requested.

Schedules of Concessions (Art. II)

Article II of the General Agreement, which relates to the schedules of concessions annexed to the agreement, provides that imports into the territories of contracting parties shall be exempt from ordinary customs duties in excess of those set forth in their respective schedules of concessions. Such products shall also be exempt from all other import duties or charges in excess of those imposed on the date the agreement became effective with respect to the contracting party concerned.

Special French taxes

At their Ninth Session, the Contracting Parties took action on three complaints relating to special taxes levied by France on its foreign trade. These taxes are the "statistical and customs control tax," which is levied on both imports and exports; and the "stamp tax" and the "special import (or compensatory) tax," both of which are levied on imports only.

The special import, or compensatory, tax became effective in April 1954, when France liberalized its quantitative controls on imports from the countries that participate in the Organization for European Economic Cooperation.[7] The purpose of the tax was to provide a temporary means of easing the impact on the French economy of the removal of the quantitative restrictions. The tax, which applied to 162 tariff items on which the duties had been bound in the General Agreement, affected imports from all countries except French North Africa and other French overseas areas. Thus, it applied to imports from some contracting parties to which the liberalization measures did not apply. The original tax ranged from 5 to 10 percent ad valorem. On November 16, 1954, France reduced the tax on a number of commodities. In a series of liberalization measures adopted in January 1955, however, taxes of either 10 or 15 percent ad valorem were levied on some of the items subject to the new liberalization measures, and in May 1955 the taxes on 16 items were increased. At their Ninth Session, pursuant to a request of the Italian Government, the Contracting Parties examined this matter to determine whether the tax violated France's obligations under the General Agreement.

[7] By this liberalization measure, France increased from 18 percent to 51 percent the share of its private import trade (based on the value of imports in 1948) from OEEC countries that had been freed from quantitative restrictions.

In a decision of January 17, 1955,[8] the Contracting Parties concluded that—with respect to the items affected—the tax constituted an increase in customs charges in excess of the maximum permissible under article II. The Contracting Parties also held that, inasmuch as the tax did not apply to imports from French overseas territories, it increased the preferential rates in excess of the maximum margins permissible under article I. They therefore decided that a contracting party adversely affected would be justified in invoking the provisions of article XXIII to achieve compensation for injury to its trade sustained as a result of the imposition of the tax.

The Contracting Parties noted the French Government's declaration that it would undertake to remove the tax as soon as possible, and that it intended to adopt definitive measures to assure effective progress toward a more liberal system of trade. They instructed the Intersessional Committee to follow closely the measures that France might take to remove the tax. They also recommended that France reduce the degree of discrimination against the trade of the contracting parties whose exports are subject to the tax but to which liberalization measures do not apply, and they requested France to report on its action not later than April 1, 1955.

France subsequently reported that, effective June 23, it had abolished the tax on a list of products comprising about 40 tariff items, and had reduced the rates on several other items. The Contracting Parties scheduled a review of this matter for their 10th Session in 1955.

The French stamp tax on imports, which is levied in addition to the regular customs charges, is designed to defray the costs of clearing imports through the customs. The stamp tax is authorized in the notes to France's schedule of concessions in the General Agreement (schedule XI), and is in accordance with the provisions of article II: 2 (c) of the agreement, which provides that a contracting party shall not be prevented from imposing fees or other charges on imports commensurate with the cost of services rendered in connection therewith.

In March 1954, France increased the stamp tax from 1.7 percent to 2 percent ad valorem. At the request of the United States, which considered the increase in the tax inconsistent with France's obligation under the General Agreement, the Contracting Parties placed the matter on the agenda for consideration at their Ninth Session. During the discussion at the Ninth Session the French delegate pointed out that, although France had increased the tax on several occasions, the gold or dollar value of the proceeds from it was no higher than in 1947. In addition, he noted that France had not increased, and did not intend to increase, the stamp tax beyond the limit established by the General Agreement—that is, beyond the amount necessary to meet the cost of the service rendered. After hearing the statement of the French delegate, the United States withdrew

[8] See Contracting Parties to GATT, *Basic Instruments* . . . ,Third Supplement, pp. 26–28.

its complaint, and the Contracting Parties noted that the issue had been satisfactorily resolved.

The French statistical, or customs-control, tax is an ad valorem tax levied on all imports and exports of the French metropolitan and overseas areas. The stated purpose of the tax is to establish a fund for social security benefits for agricultural workers. When it was first imposed in 1952, the tax amounted to 0.40 percent; in March 1954 it was increased to 0.75 percent. The United States complained that the tax had the effect of increasing French import charges on products the tariff rates on which had been bound and was, therefore, in violation of article II of the General Agreement. At the Eighth Session of the Contracting Parties in 1953, France acknowledged that the tax was inconsistent with the provisions of the agreement. In September 1954 it announced the suspension of the tax for the period October 1 to December 31, 1954; during the Ninth Session, it informed the Contracting Parties that it had abolished the tax as from January 1, 1955.

Greece's adjustment of certain specific rates of duty

At the Eighth Session in 1953, Greece asked the Contracting Parties for permission to increase certain specific rates of duty listed in its schedule of concessions, and to establish minimum ad valorem rates for others, in order to offset the effects of currency depreciation on the incidence of its customs tariff.[9] The Contracting Parties agreed to the request, provided the change did not impair the value of any concessions that Greece had negotiated under the General Agreement. They stipulated, however, that since the addition of an ad valorem minimum rate of duty to a specific duty was not authorized by article II of the General Agreement, the addition of such a minimum rate to any item in the Greek schedule of concessions would constitute cause for renegotiation of the concession involved. Accordingly, Greece requested and was granted the right to renegotiate certain items for which it wished to establish a minimum ad valorem rate of duty.

At the Ninth Session, Italy complained that Greece had unilaterally introduced minimum ad valorem rates of duty for certain cotton, wool, linen, hemp, and jute fabrics, and for metallic yarns and textiles.[10] In addition, according to the Italian complaint, Greece had imposed an ad valorem minimum rate of 15 percent on specified knives, forks, and spoons (tariff item 80), which duty had been further increased by a surtax of 75 percent calculated on the total basic duty. At the same time, Greece had established a new subitem (80–c) which increased the scope of the original classification.

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[9] See *Operation of the Trade Agreements Program* (seventh report), pp. 35–36.

[10] The representatives of Austria, France, and the United Kingdom indicated that they also were concerned with various aspects of the Italian complaint.

In another measure, according to the Italian complaint, Greece had modified unilaterally the customs duty on eyeglasses of celluloid, ivory, tortoise shell, or other similar substances (tariff item 136–f) by increasing it from 450 to 1,000 metallic drachmas [11] per 100 kilograms. Italy pointed out that, under the Greek tariff, eyeglasses with frames of metal or other substances (item 136–d) were bound under the agreement at 300 drachmas per 100 kilograms. Italy agreed that, under the decision of the Contracting Parties at their Eighth Session, Greece had the privilege of readjusting the duty on eyeglasses, but stated that the increase exceeded the maximum permissible. Therefore, Italy maintained, Greece should reduce the duty on eyeglasses of celluloid, ivory, tortoise shell and other similar substances to the level at which it was bound under the decision of the Contracting Parties at their Eighth Session.

As a result of these representations, Greece indicated that it would not impose minimum ad valorem duties on the textile items, but, instead, would readjust the specific rates of duty on them. With regard to cutlery, Greece stated that the establishment of minimum ad valorem rates had not changed the incidence of the duty applicable to these articles. Moreover, the incidence of the specific duties on the new subitem, as well as on the items in the original classification, was higher than the newly established minimum ad valorem rate. With respect to eyeglasses, the Greek delegate stated that the purpose of the duty adjustment had been to establish identical rates of duty for the glasses and their frames, in order to stop the illegal traffic that had resulted from the difference in classification.

As a result of their consultations at the Ninth Session, the Italian and Greek Delegations agreed on a rate of 800 drachmas for the eyeglasses and frames described above. Italy agreed that the Greek proposal to abolish minimum ad valorem rates on textiles, and to adjust the specific duties instead, was satisfactory. Italy also agreed to the changes in the rates of duty that Greece had made on the cutlery items in question. The Contracting Parties, therefore, removed the Italian complaints from the agenda.

[11] In the Greek tariff schedule, import duties, which are mainly specific rates, are expressed in metallic drachmas (a term recently substituted for gold drachmas); the duties are paid, however, in paper drachmas, the circulating medium. For the purpose of converting rates of duty to the paper drachma, two types of coefficients are applied to the basic rates of duty. These are (1) the prewar coefficients, which vary for different groups of items, and (2) the so-called additional, or postwar, coefficient, which is based on the value of the Greek gold sovereign. By a note attached to the Greek schedule of concessions (schedule XXV) in the General Agreement, the prewar conversion coefficients are bound against increase. The additional, or postwar, coefficient of conversion is not bound, and may be increased proportionately to any permanent depreciation in the value of the Greek currency. A note appended to the Greek schedule in the General Agreement specifies, therefore, that Greece must decrease the additional coefficient proportionately to any permanent appreciation of the value of its currency.

Finland's request for permission to adjust certain specific rates of duty

Article II of the General Agreement provides that if the par value of a contracting party's currency is reduced—consistently with the Articles of Agreement of the International Monetary Fund—by more than 20 percent, the specific duties in that country's schedule of concessions may be adjusted to take account of the reduction. The article specifies that the proposed adjustments must not impair the value of any concessions that the contracting party had negotiated under the agreement.

At the Ninth Session, Finland asked the Contracting Parties for permission to make certain upward adjustments in the specific rates of duty listed in its schedule of concessions (schedule XXIV). On July 5, 1949, Finland devalued the markka from 136 to 160 markkas per United States dollar; on September 19, 1949, it further devalued the markka to 230 markkas per dollar. Finland wished to increase the specific rates of duty in its schedule of concessions by not more than 70 percent in order to offset the effects of the devaluations on the incidence of its import duties.

The working party that considered Finland's request determined that the Finnish devaluations had been consistent with the Articles of Agreement of the Fund. The working party noted that the devaluations had occurred during Finland's negotiations for accession to the General Agreement at Annecy in 1949, but before Finland actually acceded to the agreement. It concluded, however, that the circumstances were such that Finland should not be denied access to the provisions of article II. Accordingly, the Contracting Parties authorized Finland to make the proposed adjustments, provided no contracting party to the agreement claimed that the increases would impair the value of the concessions listed in Finland's schedule. Subsequently, Benelux and the United Kingdom indicated that certain of the proposed increases would impair concessions listed in Finland's schedule. Finland thereupon entered into negotiations with those countries, and it indicated that it will wait until the conclusion of the negotiations before it makes effective the proposed adjustments in its specific rates of duty.

National Treatment on Internal Taxation (Art. III)

Article III of the General Agreement requires contracting parties to grant national treatment to imports from other contracting parties. Thus, a contracting party may not impose on imports from another contracting party internal taxes or other charges in excess of similar charges levied on like products of domestic origin. A contracting party is permitted, however, to retain discriminatory internal taxes that existed on the date on which it acceded to the General Agreement.

Brazilian internal taxes

In its seventh report on the operation of the trade agreements program, the Commission discussed in detail Brazil's action with respect to internal "consumption" taxes (*impostos do consumo*) that it applies to certain domestic and imported commodities. Under the system of consumption taxes, which Brazil levies chiefly for revenue purposes, specified imported products—including watches, clocks, playing cards, beer, spirits, aperitifs, and certain tobacco products—are subject to taxes substantially higher than those levied on like domestic products.[12]

In 1949, at the Third Session of the Contracting Parties, countries that had a substantial interest in the above-mentioned products contended that when Brazil revised its schedule of consumption taxes in 1948, it widened the existing margin of discrimination against similar articles imported from foreign countries. The Brazilian delegate informed the Contracting Parties that an effort would be made to amend the law in question, with a view to removing the basis for the complaint. The Brazilian Congress, however, failed to adopt the proposed legislation, and, in subsequent sessions, the Contracting Parties continued to urge Brazil to take steps to rectify the violation. At their Eighth Session in 1953, the Contracting Parties recommended that Brazil take steps to remove the discrimination as soon as possible, and, in any case, not later than the opening of the Ninth Session. At the Ninth Session the Brazilian delegate stated that his Government hoped to enact legislation in 1955 that would resolve the problem to the satisfaction of the Contracting Parties. The matter was therefore continued on the agenda.

Greek luxury tax on imports

During the Ninth Session in 1954, Italy complained that Greece had violated the provisions of article III of the General Agreement by levying a special luxury tax on imports of certain artificial textile fibers, without applying similar taxes to like products of domestic origin. The articles in question were imported products of artificial yarn, to which Greece had applied a luxury tax of 22 percent ad valorem, and products of mixed staple fiber and yarns, on which the tax was 10 to 15 percent ad valorem. As a result of consultations by the two Governments during the Ninth Session, Greece took action to abolish the luxury tax on products made from staple artificial fibers, and to reduce the luxury tax on products made from artificial yarn. Greece stated that it would continue to take measures to reduce the luxury tax on imported products of artificial yarn to the same level as that applied to national products. In the light of these developments, the Contracting Parties considered the complaint settled.

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[12] See *Operation of the Trade Agreements Program* (seventh report), pp. 37–39.

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Antidumping and Countervailing Duties (Art. VI): Swedish Antidumping Regulations

Article VI of the General Agreement authorizes a contracting party to impose antidumping duties whenever it determines that imports from another contracting party are being entered at less than "normal" value, and are, as a result, causing or threatening material injury to a domestic industry or are materially retarding the establishment of a domestic industry. In order to offset or prevent such injury, article VI authorizes the adversely affected contracting party to levy an antidumping duty not in excess of the margin of dumping—that is, the difference between the "normal" value and the value at which the product is actually sold in the importing country. For the purpose of article VI, a "dumping price" is defined as a price at which an exported product is sold that is (1) less than the price at which the product is freely offered for sale in the exporting country for domestic consumption, or—if there is no such domestic price—(2) either less than the price at which the product is freely offered for export to third countries, or less than the cost of production of the item in the country of origin, plus a reasonable addition for the selling cost and profit.

Early in the Ninth Session, the Contracting Parties considered a complaint by Italy that Sweden's antidumping regulations were inconsistent with article VI of the General Agreement. The complaint, which was the first that the Contracting Parties had received under article VI, concerned the treatment that Sweden had accorded imports of Italian nylon stockings under the provisions of a Swedish antidumping decree of May 29, 1954. This decree authorized Swedish customs authorities to levy an antidumping duty whenever the invoice price of an import consignment was lower than the relevant minimum (or "basic") price fixed by the Swedish Government; this antidumping duty was refunded if "dumping" was not subsequently proved.

On October 15, 1954, Sweden modified the decree to provide that the basic price would serve merely as an administrative device for determining whether an antidumping inquiry should be initiated. Under the revised procedure, Swedish customs authorities exempted an import consignment from an antidumping inquiry whenever the price for it was higher than the basic price.

The Italian Delegation contended that the basic-price system discriminated against low-cost producers and deprived them of competitive advantages to which they were entitled under the general most-favored-nation clause of the agreement (art. I); that the basic-price system did not take into consideration price differences attributable to variation in the quality of the goods shipped; that the basic price tended to be the minimum price at which goods were shipped, regardless of whether there was dumping; and that the decree reversed the onus of proof with respect

to dumping, by authorizing the customs authorities to prevent the importation of goods without establishing a prima facie case of dumping.

The panel that the Contracting Parties established to examine this complaint concluded that the basic-price system did not necessarily discriminate against low-cost producers. If the value of the imported product is less than its "normal" value, such a product is subject to a dumping inquiry, under the provisions of article VI, whether the price is above or below the basic price fixed by the Swedish Government. Sweden contended that, as a matter of policy, the basic price established by its Government is as low as the actual price of the product concerned in the market of the lowest cost foreign producer, or lower, and thus is consistent with article VI. The panel held that even if the price of the imported product was below the Government's basic price, it would not necessarily follow that an antidumping duty would be levied. The panel noted that the language of article VI is permissive, not mandatory, and that its use is authorized only if imports of the dumped product are prejudicial to a domestic industry. Thus a contracting party, if challenged, would be obliged to justify the use of antidumping duties. The panel agreed, however, that the basic-price system would have a serious discriminatory effect if it were consistently to result in uncertainty and undue delay in clearing imports from low-cost producers and if a case for dumping were not subsequently established.[13] The further contention that the basic price tends to become the minimum price at which goods are imported into Sweden was disavowed by the panel. However, it agreed that if the system were applied to cases in which dumping was not subsequently established, it might become more prejudicial to the interests of low-cost producers than would other antidumping techniques.

With respect to the Italian representations that the decree reversed the onus of proof by authorizing Swedish customs authorities to act without establishing a prima facie case of dumping, the panel felt that it was not competent to pass on the legal rules of procedure that might exist in Sweden. On the other hand, it noted that article VI stipulates that no antidumping duties should be levied unless certain facts are established. It also noted that a contracting party should be prepared to establish such facts if its action is challenged by another contracting party.

With respect to Italy's complaint that Sweden's treatment of imports of women's stockings of nylon and similar synthetic fibers had nullified or impaired benefits accruing to Italy under the agreement, the panel concluded that the issue was basically a dispute over Sweden's method of determining the basic price. Moreover, the panel felt that, to decide whether Italy had suffered an impairment of benefits, it would be neces-

[13] For a complete report of the findings of the working party, see Contracting Parties to GATT, *Basic Instruments* . . ., Third Supplement, pp. 81–91.

sary to determine whether Italian exporters had in fact resorted to dumping practices. In turn, these issues centered on whether the normal value of the stockings exceeded their invoice value, whether the basic price for comparable products had been correctly established, and whether the criteria for establishing such values were consistent with the provisions of article VI of the General Agreement. Inasmuch as Italy and Sweden disagreed as to the facts, the panel recommended that they take action to determine the current normal price for Italian nylon stockings and to determine whether there had been dumping as defined in article VI. The panel also recommended that the two Governments conduct an inquiry to clarify the points of fact on which they held different views, and report to the Contracting Parties at their 10th Session, or to the Intersessional Committee, which it authorized to take appropriate action. The panel further recommended that Sweden consider the adoption of methods to improve the administration of its antidumping procedures so as to minimize delays and other impediments to exports of Italian nylon stockings to Sweden.[14]

Elimination of Quantitative Restrictions on Imports (Art. XI)

Article XI of the General Agreement prohibits contracting parties from imposing nontariff restrictions—such as import restrictions, quotas, licensing systems, or other quantitative control measures—on its imports from other contracting parties. Article XI recognizes, however, that under certain circumstances a member may find it necessary to adopt such measures, and the article therefore provides for specified exceptions to the general rule.[15] One of the more important of these exceptions is the so-called agricultural exception, which permits contracting parties to impose quantitative restrictions on agricultural or fisheries products to prevent imports from interfering with domestic governmental measures designed (1) to restrict the quantity of like domestic products produced or marketed, or (2) to relieve temporary surpluses of such products. The article requires contracting parties (a) to give public notice of their intent to employ the exception and (b) to consult with the contracting parties that have a significant interest in the product concerned. For action taken under (1) above, the article also provides that the measure must be applied in a manner that will not reduce the ratio of total imports relative to that of domestic production below the proportion that

[14] On August 10, 1955, Sweden informed the Contracting Parties that the special regulations with regard to the imposition of antidumping duties on imported women's nylon stockings had been abrogated. This action appears to have disposed of the complaint.

[15] See Contracting Parties to GATT, *Basic Instruments . . .*, vol. 1, *Text of the Agreement and Other Instruments and Procedures*, Sales No.:GATT/1952–3, Geneva, 1952, p. 28. For the exceptions to the general rule for balance-of-payments reasons, see the discussion in this chapter on arts. XII–XIV.

might "reasonably" be expected to prevail in the absence of such restrictions during a representative period.

Request by the United States for a waiver on agricultural products

Article XI has been particularly significant to the United States, which maintains governmental programs with respect to several agricultural products, and, on various occasions, has found it necessary to restrict imports of such products in order to carry out domestic programs for them. United States use of the agricultural exception has been of considerable concern to those countries that export agricultural products to the United States and that have granted tariff concessions to the United States in return for concessions by the United States on agricultural products.

United States programs for agricultural products have taken various forms, including those designed to control production, to assist in the orderly marketing of agricultural commodities for domestic consumption and export, to provide for the disposal of surplus commodities, and to establish quality and grading standards. The principal objective of such programs 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 level of prices prevailing elsewhere in the world, they have tended to stimulate a greater quantity of imports than would have prevailed had there been no domestic program. Such artificially stimulated imports tend to increase the cost of relevant programs and to negate their effect. To provide for such contingencies, section 22 of the Agricultural Adjustment Act, as amended, authorizes the President to restrict imports whenever he finds that they are being, or are practically certain to be, entered in such quantities or under such conditions as to render ineffective, or materially interfere with, any program or operation undertaken by the Department of Agriculture for agricultural products. Section 22 authorizes the President to impose import fees not in excess of 50 percent ad valorem, or to establish import quotas, provided such quotas do not reduce imports more than 50 percent of the total quantity entered during a representative base period. The President may modify, terminate, or suspend the import restriction imposed under the authority of section 22 whenever he finds that changed circumstances permit. Section 22, as amended, specifically provides that no international agreement entered into by the United States may 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, requested a waiver of its commitments under the agreement insofar as such commitments might be regarded as

inconsistent with the action it is required to take under the provisions of section 22 of the Agricultural Adjustment Act. Because of the nature of the request, which was for a waiver without limitation as to scope or time, and because of the importance which the Contracting Parties attached to the request, a working party established by the Contracting Parties to examine the question discussed the matter in considerable detail.

In support of its request, the United States pointed out that since 1933 it has maintained various programs designed to maintain a balance between the supply of agricultural products and the demand for them, and to stabilize farm prices and incomes. Moreover, during the war and the years immediately thereafter, the United States maintained such programs to encourage farm production in order to relieve shortages of agricultural products in the United States and in other countries of the free world. In more recent years, these programs have been utilized to assist in stabilizing farm prices while efforts were made to reduce surpluses that had resulted from greatly expanded production during the war and early postwar years.

The United States noted that its domestic agricultural programs, to the extent that they tend to maintain domestic prices that are higher than those generally prevailing elsewhere in the world, also tend to stimulate imports and to increase the burden of the programs to the American taxpayer. Nevertheless, the United States delegate stated that the authority to restrict imports under section 22 had been used with restraint and that the fact that an agricultural product is subject to a domestic program, or that the domestic price for the product under the program is higher than the world price, does not mean that import controls will necessarily be imposed under section 22. Moreover, the domestic market price for many of the products subject to such programs has frequently been above the domestic support price, making import restrictions unnecessary. In this connection, he noted that in 1954–55 import restrictions were in effect for only 9 of the 21 commodities or groups of commodities for which the Department of Agriculture maintained price-support programs. The United States also pointed out that when import restrictions have been imposed under the provisions of section 22, it has been the Government's policy to consult with countries having a trade interest in the item for the purpose of negotiating compensatory concessions. The United States has also reviewed its actions periodically, to determine whether changed conditions would enable it to terminate or modify the restrictions.

The United States delegate also stated that positive steps had been taken to resolve the problems that had led to the need for action under section 22 by reducing—for the year 1955—price-support levels, or by imposing market quotas at minimum levels permitted by law. He

assured the Contracting Parties that the United States intended to continue to seek a solution to the problem of surplus agricultural commodities.

The contracting parties that had an interest in the United States request for the waiver indicated that they recognized the vital importance of the matter to the United States and the difficulty that the United States faced in dealing with the differences between the objectives of its domestic farm legislation and its obligations under the General Agreement. They expressed concern, however, at the scope and the nature of the waiver that the United States had requested. Their principal concern was the fact that the requested waiver was unqualified with respect to the length of time it would remain in effect and the extent to which it might be used.

The contracting parties acknowledged that when United States price-support programs attract substantial quantities of additional imports, it would be unreasonable to expect the United States Government to bear the additional cost that would be a corollary of such imports; similarly they recognized that it would be unreasonable for foreign suppliers to obtain more than a normal share of the United States market under such circumstances. The contracting parties noted, however, that unless the waiver was qualified, it would permit the United States to exclude imports to protect any program of its Department of Agriculture, regardless of the nature or purpose of the program. Similarly, they noted that, unless the waiver was limited, it might be used for a long period without any constructive effort being made to alleviate the underlying difficulties.

With respect to these objections, the United States pointed out that the waiver, if qualified as to time, would not suffice to meet the need for which it was requested. The provisions of section 22 presumably would continue to exist after the waiver expired, if a time limit were set for it. As to proposals for limiting the scope of the waiver, the United States stated that many of the underlying causes of the problem were beyond the control of the Government. Furthermore, it noted that any change in existing measures relating to the United States agricultural economy would require legislative action by the Congress, and that it was beyond the competence of the United States delegate to promise action along these lines.

A further objection to the waiver by some contracting parties was that it would tend to destroy the principle of tariff stability with respect to agricultural products listed in the United States schedule of concessions and of the schedules of concessions in general, particularly since the United States intended that action under the waiver would be of a temporary nature and subject to change at short notice. The working party therefore proposed that the waiver include a release to the United States from its obligations under the provisions of article II of the agree-

ment. Such a waiver would cover instances in which a fee was imposed under section 22 in excess of the rate of duty set forth in the United States schedule of concessions. This exception would make it unnecessary for the United States to initiate procedures for modifying or withdrawing concessions during the period of assured validity of the concessions.

After the discussions, the Contracting Parties approved the waiver by a vote of 23 to 5. As a result of this action, United States obligations under article II and article XI are waived "to the extent necessary to prevent a conflict with such provisions of the General Agreement in the case of action required to be taken by the Government of the United States under section 22." The waiver does not affect United States obligations under any other provisions of the agreement.

The waiver sets forth six conditions and rules of procedure to be followed by the United States in imposing restrictions under section 22. Under these procedures the United States, upon request by any contracting party that considers its interests to have been seriously prejudiced by action under the waiver, must promptly undertake a review to determine whether changed circumstances require such restrictions to be modified or terminated. Should the review indicate such changed circumstances, the United States must then institute an investigation, as provided by section 22 of the Agricultural Adjustment Act.

In accordance with article XXII of the General Agreement, the waiver requires the United States to notify the Contracting Parties of an impending investigation under section 22 and to provide contracting parties that have an interest in the particular product a full opportunity for representation and consultation. The United States must give due consideration to any representations submitted to it, including (1) representations that a greater volume of imports than is permitted by the restriction would not have effects required to be corrected by section 22; (2) representations as to the effect of imports on any program or operation undertaken by the United States Department of Agriculture; (3) representations regarding the base period used for determining a quota; and (4) representations that quota allocations are inequitable. As soon as the President has made his decision after any investigation, the United States must inform the Contracting Parties, as well as those contracting parties that have made representations or held consultations, of the details of the proposed action. Upon such notification the waiver becomes effective, without prejudice, however, to the right of a contracting party to have recourse to action under article XXIII on the grounds that benefits inuring to it under the General Agreement are being nullified or impaired. The waiver directs the United States to remove or relax each restriction imposed under the waiver as soon as changed circumstances permit, and to report annually to the Contracting Parties on its actions under the waiver. The report is to include information on any modification or

removal of restrictions, the reasons why restrictions under the waiver continue to be applied, and information on any steps that the United States has taken to resolve the problem of agricultural surpluses.

Problems related to the elimination of import restrictions maintained during a period of balance-of-payments difficulties

At their Ninth Session, the Contracting Parties adopted a decision urging countries that maintain quantitative controls on imports to eliminate them as soon as possible, so as to bring their import practices into conformity with article XI. They recognized, however, that, for some countries, persistent balance-of-payments difficulties had made such restrictions necessary over a number of years, and that the sudden elimination of import controls would make the adjustment for some industries difficult. The decision, therefore, provides for a temporary waiver of the obligations of contracting parties to eliminate quantitative import controls where their immediate removal would result in serious injury to a domestic industry or branch of agriculture. The decision specifies that use of this waiver by a contracting party shall be subject to the concurrence of the Contracting Parties acting as a group. The Contracting Parties may impose such conditions and obligations as they determine, in each case, to be reasonable and necessary.

These so-called hard-core restrictions may not be retained for more than 5 years from the date that concurrence is granted by the Contracting Parties, and the measures may not be applied in a manner that is inconsistent with the provisions of the General Agreement relating to the nondiscriminatory application of quantitative restrictions. The contracting party that employs such restrictions is required to assure to other countries a fair and reasonable share of its domestic market for the product concerned, based on the average trade in the item during the 3-year period preceding the date the Contracting Parties concurred in the action.

The decision specifies that the Contracting Parties shall each year review the restrictions that are authorized in accordance with this decision. Should they find that application of any such restriction is no longer necessary, the concurrence covering that restriction shall cease to be valid.

Quantitative Restrictions for Balance-of-Payments Reasons (Arts. XII–XIV)

In article XII of the General Agreement, the Contracting Parties recognized that problems of economic readjustment during the postwar period, including balance-of-payments difficulties, might make it difficult for some contracting parties to conform immediately to the general rule (art. XI) against the application or use of nontariff restrictions on imports. Accordingly, article XII authorizes a contracting party to employ quantitative controls "to safeguard its external financial position and

balance of payments . . . to the extent necessary to forestall . . . or to stop, a serious decline in its monetary reserves, or . . . to achieve a reasonable rate of increase in its reserves." The article provides that such restrictions shall be relaxed as the underlying economic causes of them improve, and eliminated when justification for them ceases.

Article XIII of the agreement establishes the general rule that a contracting party shall not employ any quantitative restriction in a manner that would discriminate against the trade of an individual contracting party. Article XIV, however, recognizes that transitory postwar economic conditions might make nondiscrimination impracticable, and authorizes a contracting party to employ temporary discriminatory import restrictions to safeguard its balance of payments.[16] Such discriminatory measures may be maintained only as long as a contracting party continues to avail itself of postwar transitional arrangements under article XIV of the Articles of Agreement of the International Monetary Fund, or under the analogous provisions of a special exchange agreement entered into under article XV of the General Agreement on Tariffs and Trade.[17] Article XIV of the General Agreement requires a country that employs transitional exceptions to the general rule of nondiscrimination to consult annually with the Contracting Parties regarding such practices. These consultations are held pursuant to article XII: 4 (b), and under article XIV: 1 (g).[18]

Consultations during 1954

During 1954, five countries initiated consultations with the Contracting Parties on their deviations from the rules of nondiscrimination. These countries were Australia, Ceylon, New Zealand, the Federation of Rhodesia and Nyasaland, and the United Kingdom. Pursuant to the provisions of article XV of the General Agreement, the International Monetary Fund joined in these consultations and supplied information and background material. Because of the pressure of work at the Ninth Session, the Contracting Parties were unable to complete the consultations initiated by Ceylon, the Federation of Rhodesia and Nyasaland, and the

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[16] See Contracting Parties to GATT, *Basic Instruments* . . ., vol. 1, p. 35.

[17] Under art. XV of the General Agreement the contracting parties are required to consult with the International Monetary Fund with respect to all problems concerning monetary reserves, balance of payments, or foreign-exchange arrangements. The article also permits the contracting parties to employ exchange controls or exchange restrictions in accordance with the Articles of Agreement of the Fund, or with that country's special exchange agreement (if any) with the Contracting Parties.

[18] Under art. XII: 4 (b), the Contracting Parties may invite a contracting party that applies import restrictions for balance-of-payments reasons to consult as to its actions; a contracting party may request consultation to obtain prior approval for proposed measures. Art. XIV: 1 (g) requires that consultations be held not later than "March 1952 and in each year thereafter" on balance-of-payments restrictions that deviate from the rule of nondiscrimination.

United Kingdom. They recommended, therefore, that these consultations be dispensed with, and that, inasmuch as the countries concerned would be required to initiate consultations again in 1955, the obligation of these countries to consult in 1954 be considered as having been fulfilled.

With respect to the consultations with Australia and New Zealand, the representatives of the two countries supplied information as to the details of their discriminatory import restrictions and the justification for them. In certain instances, the working party suggested that the delegates of the individual countries request their governments to consider the possibility of liberalizing restrictions on particular products. The delegates indicated the willingness of their governments to give sympathetic consideration to these requests.

Fifth annual report on discriminatory application of import restrictions

Besides consulting with individual contracting parties at their Ninth Session, the Contracting Parties prepared their fifth annual report on the discriminatory application of import restrictions.[19] This annual report, which is prepared pursuant to the provisions of article XIV: 1 (g) of the agreement, included a statement on the general trend with respect to the use of discriminatory import restrictions during the period October 1953–March 1955, and descriptive notes on the discriminatory practices currently in effect in each of the 22 contracting parties that employ such measures. The report was based on information supplied by the contracting parties; it also drew on data obtained from other sources, including data supplied or published by the International Monetary Fund.

The 22 contracting parties that were employing discriminatory import restrictions to safeguard their balance-of-payments position were the following: Australia, Austria, Brazil, Burma, Ceylon, Chile, Denmark, Finland, France, Germany, Greece, India, Italy, the Netherlands, New Zealand, Norway, Pakistan, the Federation of Rhodesia and Nyasaland, Sweden, Turkey, the United Kingdom, and Uruguay. In addition, Japan indicated that it maintained discriminatory import restrictions within the meaning of article XIV.[20] Czechoslovakia, Indonesia, and the Union of South Africa stated that they were not resorting to discriminatory restrictions under the provisions of article XIV. A total of 9 countries (Belgium, Canada, Cuba, the Dominican Republic, Haiti, Luxembourg, Nicaragua, Peru, and the United States) stated that they were not restricting imports for balance-of-payments reasons.

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[19] For the complete report, see Contracting Parties to GATT, *Basic Instruments . . .*, Third Supplement, pp. 63–77.

[20] At the time of the Ninth Session, Japan had not completed negotiations for its accession to the General Agreement. Its commercial relations, however, were conducted under the general provisions of the agreement with respect to those contracting parties that had signed a declaration, adopted in October 1953, looking toward Japan's accession to the agreement. See *Operation of the Trade Agreements Program* (seventh report), pp. 75–78.

The report indicated that during the period October 1953–March 1955 the balance-of-payments situation of most of the contracting parties to the agreement had improved. A number of the more important trading countries had introduced greater freedom in their international transactions, and many of them had taken action to reduce restrictions on imports from the dollar area. As a result, the general level of such restrictions was lower than at any time since World War II. Nevertheless, there remained, in many parts of the world, a significant degree of discrimination against imports from the dollar area; these restrictions applied to numerous important industrial raw materials and other basic commodities, and to manufactured products.

The Contracting Parties urged contracting parties that were applying import restrictions or other restrictive devices for balance-of-payments reasons to minimize the protective effects of them on domestic industries. They noted that bilateral trade agreements between some countries—particularly those between European and Asian and Latin American countries—incorporate discriminatory practices for commercial rather than financial reasons. With respect to exchange policy, they noted that exchange systems in some countries involve discrimination as to commodities and trading areas.[21]

Procedure for report and consultations in 1955 under article XIV

During the preparation of the annual report on import restrictions for 1954, certain contracting parties expressed concern over the inadequacy of existing reporting procedures and over the lack of information available for preparing the working party's analysis. The Contracting Parties agreed, however, that, inasmuch as a new set of rules and procedures might be established as a result of the general review of the agreement, little advantage would be gained by adopting revised procedures that might apply for only a short time. They therefore agreed to continue the existing system for preparing the annual report for 1955. However, they requested the contracting parties to provide more detailed information in answering the questionnaires used in compiling the report, and requested them to transmit their replies to the Executive Secretary 3 months before the opening of the 10th Session.[22] They also requested countries that planned to initiate consultations at the 10th Session in 1955 to notify the Executive Secretary before March 1955.

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[21] For a detailed discussion of the discriminatory quantitative restrictions that are applied for balance-of-payments reasons by the countries named above, as well as by countries that do not participate in the General Agreement but with which the United States has bilateral trade agreements, see ch. 6 of this report.

[22] For details of the questionnaire, see Contracting Parties to GATT, *Basic Instruments . . .*, First Supplement, Sales No.: GATT/1953-1, Geneva, 1953, pp. 46–48.

Special Exchange Agreements (Art. XV)

To insure uniformity in exchange-control practices and to prevent contracting parties from employing exchange measures that might nullify or impair tariff concessions, or that might contravene the general rules relating to the use of quantitative restrictions, article XV provides that the contracting parties shall, in exchange-control matters, conform to the principles established in the Articles of Agreement of the International Monetary Fund. Article XV, therefore, specifies that, in all questions relating to monetary reserves, balance of payments, or foreign-exchange arrangements, the contracting parties shall consult fully with the Fund and shall accept the determination of that organization as to whether an action by a contracting party in exchange matters is in accordance with the Fund's Articles of Agreement. Paragraph 6 of article XV specifies that contracting parties that are not members of the Fund shall enter into a special exchange agreement with the Contracting Parties. The provisions of these special exchange agreements are similar to the Articles of Agreement of the Fund.

At their Ninth Session the Contracting Parties granted two countries—Czechoslovakia and New Zealand—releases from their obligation to join the International Monetary Fund or to enter into a special exchange agreement with the Contracting Parties. In both instances the matter at issue was a technical one that did not involve major policy considerations.

In making its request, Czechoslovakia explained that because of special circumstances growing out of its state monopoly of international trade, the application of the provisions of paragraph 6 of article XV would raise a number of legal and practical problems. It assured the Contracting Parties that in exchange matters it will act consistently with the principles of the special exchange agreement provided for in the General Agreement, and in accordance with the intent of the agreement. Accordingly, the Contracting Parties granted Czechoslovakia's request for the waiver.

The waiver will apply for such time as Czechoslovakia acts consistently with the principles of the special exchange agreement and in accordance with the intent of the General Agreement. Should Czechoslovakia fail to conform to such principles and intent, the waiver shall cease to apply and the provisions of article XV: 6 shall become binding. The waiver requires Czechoslovakia to report to, and consult with, the Contracting Parties each year on any action it takes on which it would have been required to report to the Contracting Parties had it signed the special exchange agreement. It also requires Czechoslovakia to consult—subject to 30 days' notice—whenever any contracting party considers that Czechoslovakia has frustrated the intent of the provisions of the agreement by any action taken under the waiver.

In requesting a temporary release from the requirement that it enter into a special exchange agreement with the Contracting Parties or become a member of the International Monetary Fund, New Zealand stated that, in its opinion, the provisions of paragraph 4 of article XV were adequate to cover its obligations. This paragraph provides that no contracting party shall act in exchange or trade matters in a way that would "frustrate the intent of the provisions of this Agreement," or the provisions of the Articles of Agreement of the International Monetary Fund.

The New Zealand delegate stated that when New Zealand became a contracting party to the General Agreement, it had not expected that the special exchange agreement would be virtually identical with the Fund's Articles of Agreement. It had, therefore, declined to negotiate the special agreement, because to do so would be tantamount to accepting the obligations of a member of the Fund, without the advantages of membership. In its request for the waiver, New Zealand stated that it had not employed exchange practices that are inconsistent with either the principles of the General Agreement or the Articles of Agreement of the Fund, and that it did not intend to do so.

The waiver that the Contracting Parties granted to New Zealand is substantially the same as that granted to Czechoslovakia. The waiver will remain in effect "for such limited period of time as New Zealand satisfies the Contracting Parties . . . that its action in exchange matters continues to be fully consistent with the Fund's principles and with the intent of the provisions of the General Agreement." The waiver requires New Zealand to report to the Contracting Parties on any action it may take under the waiver if that action would have been required to be reported to the Contracting Parties had New Zealand signed the special exchange agreement, and to consult, on 30 days' notice, if any contracting party considers that such action has nullified the intent of the provisions of the General Agreement. Should the Contracting Parties decide that such action is contrary to the intent of the agreement, the waiver shall cease to apply, and the provisions of paragraph 6 of article XV shall become binding.

Subsidies (Art. XVI): United States Export Subsidy on Oranges

Article XVI of the General Agreement provides that if any contracting party grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to increase exports or to reduce imports, it must notify the Contracting Parties in writing of the extent and nature of the subsidization. In any case in which the Contracting Parties determine that a subsidy seriously prejudices the interests of any other contracting party, the contracting party that grants the subsidy must, upon request, discuss—with the other con-

tracting party or parties that are adversely affected or with the Contracting Parties—the possibility of limiting such subsidization.

At the Eighth Session of the Contracting Parties in 1953, Italy complained that its export trade was being injured by United States subsidies on exports of oranges to certain countries. The Union of South Africa also stated that it was experiencing difficulty in marketing its oranges because of the United States subsidy, and the United Kingdom called attention to the interests of certain of its dependent territories in the matter.[23] The United States assured the Contracting Parties that it took seriously its obligation under article XVI of the General Agreement, and indicated its willingness to consult with the countries concerned with a view to achieving a satisfactory solution to the problem.

At the Ninth Session, Italy reported to the Contracting Parties that consultations between it and the United States had not yielded satisfactory results. Italy stated that, although the United States had suspended the export subsidy on oranges as from August 1, 1954, Italy was requesting the Contracting Parties to keep the matter under study because of the possibility that the subsidy might be reimposed.

The Union of South Africa also indicated that its consultations with the United States had not been satisfactory, and expressed concern over the possibility that the subsidy might be reimposed. The South African delegate stated that after the United States withdrew its subsidy, sales of South African oranges in Europe doubled. He noted, however, that the United States was not alone in utilizing export subsidies, and stated that, as a result of this practice, the countries that subsidize their exports are obtaining more than a fair share of world markets. The delegates of Greece, Australia, and the United Kingdom associated themselves with the remarks of the delegates from Italy and the Union of South Africa.

The United States delegate pointed out that the United States export subsidy on oranges was not designed to encourage domestic production, but to assist exporters in regaining their prewar markets. The principal difficulty, he noted, was that the United States is unable to compete in many markets because of restrictions on imports of dollar goods; moreover, even in areas where the export subsidy is paid, United States oranges are marketed at prices substantially higher than those for competing oranges, some of which have the benefit of special arrangements as to freight rates, and other incentives. He stated that this clearly indicated the strong demand for United States oranges and that it was, therefore, difficult to see a legitimate basis for the complaint. What the United States desired, he continued, was free and competitive trade,

[23] For a detailed discussion of the original complaint, see *Operation of the Trade Agreements Program* (seventh report), pp. 48–50.

unimpeded by the import restrictions that made the subsidies necessary. He stated that the United States Government hoped that, as world economic conditions improve, restrictions on dollar imports might be removed. This, he stated, would provide a proper basis for the removal of export subsidies.

The parties interested in this matter agreed to continue their consultations with the United States, and the complaint was continued on the agenda for discussion at the 10th Session.

Quantitative Restrictions for Economic Development and Reconstruction (Art. XVIII): Requests by Ceylon and Cuba for Extension of Releases

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.[24] The article specifies, among other things, that the measures must be nondiscriminatory, and must (1) be for the purpose of promoting an industry processing an indigenous primary commodity, external sales of which had been reduced by increased foreign production, or (2) be necessary for the development of resources that would otherwise be wasted and which, in the long run, would 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. The permission to apply such measures, if granted, may involve a release from a negotiated commitment, or from other obligations under the General Agreement, or both. A contracting party desiring to initiate action under this article is obligated to notify the Contracting Parties of the action that is proposed, so that other contracting parties may have the opportunity to indicate whether their interests would be adversely affected by the action proposed. Approval of the proposed measure by the Contracting Parties is mandatory if the measure meets the standards outlined above.

At the Ninth Session, two countries—Ceylon and Cuba—requested an extension of releases that the Contracting Parties previously had granted to them under the provisions of article XVIII.[25] Ceylon's request was for an extension of releases the Contracting Parties granted on August 13, 1949, permitting it to restrict imports of plywood chests, glass tumblers and chimneys, and cotton sarongs. The Contracting Parties agreed to extend the release for plywood chests to March 14, 1958, that for glass tumblers, to September 1, 1956, and that for glass chimneys, to October

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[24] See Contracting Parties to GATT, *Basic Instruments . . .*, vol. 1, pp. 41–46.

[25] For a discussion of the terms of the original releases, see *Operation of the Trade Agreements Program* (third report), pp. 35–36.

15, 1957. They extended the release for cotton sarongs to October 13, 1957.

Cuba's request was for an extension of the release, granted to it on August 10, 1949, to impose an import quota on fibers of henequen and sisal for a period of 5 years—until August 10, 1954. In requesting an extension, Cuba stated that the industries in question required protection for 5 additional years (until 1959), particularly because of the decline in the prices of henequen and sisal products in the world market and because of sharp competition from other fibers. To meet this competition, the Cuban industry had undertaken measures designed to increase yields and to improve quality and production methods; nevertheless, protection was still required to provide adequate incentives for investment and to maintain employment.

The Contracting Parties noted that the original release had been contingent on the elimination of any element of discrimination that existed in Cuban import restrictions on these items. The Cuban delegate stated that this had been accomplished. There being no objection to the Cuban request, the Contracting Parties extended the release until August 10, 1959.

Emergency Action (Art. XIX): Modification by the United States of Its Concession on Dried Figs

Article XIX of the General Agreement provides that if, as a result of unforeseen developments and obligations undertaken by a contracting party, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or directly competitive products, that country shall be free to suspend the obligation in whole or in part, or to modify the concession to the extent and for such time as may be necessary to prevent or remedy such injury. Pursuant to this "escape clause" provision of the General Agreement, contracting parties may modify their schedules of concessions in order to prevent or remedy injury caused by increased imports resulting from contractual obligations under the agreement. In turn, countries having a substantial interest in the concession that has been modified or withdrawn may request substantially equivalent compensatory concessions, or may suspend or modify substantially equivalent concessions in their own schedule.

At the Seventh Session of the Contracting Parties in 1952, Greece and Turkey, both of which had a substantial interest in the United States concession on dried figs, indicated that benefits accruing to them under the General Agreement had been impaired by United States modification of its concession on this item under the provisions of article XIX.

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Pursuant to negotiations it concluded with Greece at Annecy in 1949, the United States reduced the rate of duty on all dried figs to 3 cents per pound; as a result of negotiations it concluded with Turkey at Torquay in 1950–51, the United States further reduced the rate to 2½ cents per pound. In the escape-clause action that the United States took in 1952 under article XIX, it increased the duty on dried figs from 2½ cents per pound to 4½ cents per pound.[26]

At the Seventh Session, the United States Delegation discussed this matter with Greece and Turkey, with a view to agreeing on satisfactory compensation. Pursuant to these discussions, Turkey provisionally withdrew concessions on certain specified products, which included iron furniture, desks, cabinets, office machinery, and milling machinery. The Turkish Delegation informed the Contracting Parties that the modification of these concessions, which became effective on February 23, 1953, would remain in force only as long as the United States continued to apply the increased rate of duty to imports of dried figs.

Because Greece considered that withdrawal of concessions it had granted to the United States under the General Agreement would not adequately compensate it for the injury it had sustained, it requested the United States to consider the possibility of granting compensatory concessions. The United States agreed to this proposal.

In accordance with assurances that the United States gave to the Contracting Parties at the Seventh Session, the President on March 5, 1953, requested the United States Tariff Commission to institute an investigation, under paragraph 2 of Executive Order 10401, to determine whether the modification in the tariff concession on dried figs remained necessary. On June 3, 1953, the United States Tariff Commission reported to the President that the modification of the concession remained necessary to prevent imports from interfering with domestic programs of the Department of Agriculture. On June 25, 1953, the President approved the conclusion of the Commission.

During the Eighth Session in 1953, the Contracting Parties reviewed these developments, and adopted a resolution reaffirming their conviction that the most satisfactory solution to the problem would be for the United States to restore the original concession it had negotiated at Torquay. They requested the United States and the consulting countries to report on any further developments at the Ninth Session.

At the Ninth Session, the United States delegate reported that the United States Tariff Commission had again reviewed the situation

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[26] The increase in the rate of duty became effective August 30, 1952, pursuant to a Presidential proclamation dated August 16, 1952. See U. S. Tariff Commission, *Figs, Dried: Report to the President (1952) on the Escape-Clause Investigation; Report to the President (1953) on the Investigation Under Executive Order 10401*, Rept. No. 188, 2d ser., 1953.

respecting dried figs. In its report of August 1954 [27] the Commission found that conditions of competition respecting this item had not changed materially. In fact, in 1953 imports amounted to nearly 8 million pounds and were at the highest level—except for 1950—since 1930. The Commission further noted that the estimated quantity of dried figs available for export to the United States in 1954 was equal to, if not greater than, that shipped in 1953. Accordingly, the United States notified the Contracting Parties that it was not feasible to restore the original concession in the near future. Therefore, it gave notice of its willingness to continue negotiating with the interested countries for the purpose of arriving at satisfactory compensatory concessions.

In the settlements reached during the negotiations, however, the United States made no compensatory concessions. Turkey decided to retain in effect the import duties it had previously increased on a provisional basis, and the United States and Greece agreed to increases in the Greek import duties on certain types of clothing. Italy, which had indicated an interest in the concession, requested a compensatory concession on glass mosaics. The United States informed Italy that it would benefit from a concession that the United States negotiated on this item with Japan at Geneva in 1955.

Nullification or Impairment of Benefits (Art. XXIII)

Article XXIII of the General Agreement provides for the possibility that benefits under the agreement may be nullified or impaired by the failure of a contracting party to carry out fully its obligations under the agreement, or by an action that, although not technically a violation of a specific article, may contravene the spirit of the agreement. For dealing with such contingencies, article XXIII provides that any contracting party which considers that any benefits it derives from the agreement are being impaired or nullified may make representations to that effect to the contracting party or parties in question. If the matter at issue is not satisfactorily resolved by the countries immediately concerned, the complainant may make representations to the Contracting Parties. The Contracting Parties may authorize the complainant to suspend the application of such obligations or concessions as are considered appropriate.

Belgian restrictions on imports of coal

Before the opening of the Ninth Session, the United States complained to the Contracting Parties that Belgium's intensification, in October 1953, of its restrictions on imports of coal from sources outside the European Coal and Steel Community was discriminatory, and in-

[27] See U. S. Tariff Commission, *Figs, Dried: Report to the President (1954) Under Executive Order 10401*, 1954 (processed).

consistent with Belgium's obligations under the General Agreement. Pursuant to negotiations by the two countries during the Ninth Session, and pending a review of the entire situation, Belgium substantially liberalized its licensing procedures with respect to imports of coal from the United States. As a result of these developments, the United States withdrew its complaint. It reserved the right, however, to bring the matter before the Contracting Parties again, should it appear desirable to do so in the light of the outcome of subsequent negotiations between the two countries.

Brazilian compensatory concessions

Although the General Agreement makes no provision for general modification of negotiated schedules of concessions before a specified date (now January 1, 1958),[28] the Contracting Parties may authorize specific changes in individual schedules of concessions, provided the Contracting Parties unanimously agree. The Contracting Parties have generally been disposed to grant such authorization if continued observance of the concessions would cause serious difficulty for the country concerned.

When Brazil acceded to the General Agreement on July 30, 1948, it withdrew the concessions it had granted at Geneva on powdered milk, penicillin, and calendars and almanacs. It also reduced several of the rates of duty it had negotiated at Geneva, and increased the rates of duty on a number of nonconcession items. Subsequently, the Contracting Parties authorized Brazil to apply specified maximum rates of duty on powdered milk, penicillin, and calendars and almanacs. It was agreed, however, that Brazil's action on these items should be the subject of renegotiation between Brazil, the United Kingdom, and the United States, in order to provide for concessions that would compensate the United Kingdom and the United States for the adjustments that Brazil had made. Pending the conclusion of these negotiations, Brazil agreed not to increase the existing rates of duty on a number of other items for which its rates of duty were lower than the maximum permitted by its schedule of concessions.

In 1949, at their Third Session, the Contracting Parties authorized Brazil—in pursuance of an agreement signed on May 31 with the United Kingdom and the United States—to apply to powdered milk, penicillin, and calendars and almanacs rates of duty not in excess of stipulated levels (levels higher than those provided for in Brazil's schedule of concessions). As compensation for these increases, Brazil agreed to grant new concessions on oat flour, seven earthenware articles, specified motor-vehicle

[28] Originally, art. XXVIII of the agreement assured the validity of the schedules of concessions until January 1, 1951. By subsequent amendments the time limit has been extended until January 1, 1958. See the section of this chapter on tariffs and tariff negotiations.

parts, certain steam generators, certain grading machines, and tetraethyl lead.

Although these new concessions were incorporated in the First Protocol of Modifications of the General Agreement, which Brazil signed on August 13, 1949, the Brazilian Congress failed to ratify them. Accordingly, at the Eighth Session in 1953, the United States and the United Kingdom requested the Contracting Parties to consider the problem and to make recommendations concerning it. Brazil requested that it be granted further time to secure the approval of the Brazilian Congress for these concessions. At the Ninth Session, Brazil announced that it had placed the compensatory concessions in effect by a decree of December 11, 1954.

German restrictions on imports of coal

At the Ninth Session, the United States called the attention of the Contracting Parties to certain restrictions on imports of coal into Western Germany that it considered inconsistent with the Federal Republic's obligations under the General Agreement. In answer to an inquiry that the United States had made in June 1953, the Federal Republic of Germany had stated that, during the period June 1–September 30, 1953, new licenses for imports of coking coal from the United States would be granted only for consignments that could be delivered by September 30, 1953. Germany indicated that after that date it would issue no licenses for imports of any type of coal from the United States. After these regulations were promulgated, Germany permitted only limited quantities of coal to be imported from the United States through third countries.

Negotiations between the United States and the Federal Republic of Germany with respect to this matter took place before and during the Ninth Session of the Contracting Parties, but the two countries were unable to resolve the issue. Accordingly, they requested that the subject be retained on the agenda for the 10th Session with the understanding that they would continue to consult in an effort to resolve the problem.

United States restrictions on imports of dairy products

In 1951, at the Sixth Session of the Contracting Parties, the representatives of Denmark and the Netherlands, supported by the delegates of Australia, Canada, France, Italy, New Zealand, and Norway, complained that United States restrictions on imports of certain dairy products had, within the meaning of article XXIII, directly or indirectly nullified or impaired scheduled commitments that the United States had negotiated under the General Agreement. They also maintained that these restrictions, which the United States imposed under section 104 of the Defense Production Act of 1950, constituted an infringement of article XI.

When the United States Defense Production Act was renewed on June 30, 1952, section 104 was retained with certain amendments. On July 3, 1952, the United States, acting under the amended section 104, made

several changes in its import restrictions on dairy products, which changes had the effect of liberalizing those restrictions.[29] At the Seventh Session of the Contracting Parties in 1952, however, Canada, Denmark, the Netherlands, and New Zealand stated that their export trade in dairy products continued to be adversely affected by the United States restrictions, and again protested that maintenance of these restrictions by the United States constituted an abrogation of its obligations under the agreement. In a resolution, the Contracting Parties indicated that failure of the United States to repeal section 104 of the Defense Production Act constituted continued infringement by the United States of its trade-agreement obligations. They noted that several delegations had reserved the right, under paragraph 2 of article XXIII, to take compensatory action if the United States restrictions were not removed, and they recommended that the United States continue its efforts to secure the repeal of section 104.

Section 104 of the Defense Production Act of 1950, as amended, expired on June 30, 1953. At that time, the United States imposed, under the provisions of section 22 of the Agricultural Adjustment Act, import quotas and fees on certain of the aforementioned products to prevent them from interfering with domestic programs of the United States Department of Agriculture.

At the Eighth Session, the United States reported in detail on these developments. Several contracting parties indicated that United States restrictions under section 22 of the Agricultural Adjustment Act were substantially as severe as those that had been in effect under section 104. The Contracting Parties thereupon adopted a new resolution reaffirming the right of the interested parties to take appropriate retaliatory action under the provisions of article XXIII. They further recommended that the United States consider the harmful effects on international trade relations of the application of these restrictions, and requested that it report to the Contracting Parties on any new developments before the opening of the Ninth Session.

In its report to the Contracting Parties at the Ninth Session, the United States reviewed the conditions underlying the need for controls on imports of dairy products, and summarized the steps that it had taken to alleviate them. The United States delegate pointed out that, basically, the problem with respect to dairy products was a part of the general problem of adjustment from the high level of wartime production to that required for postwar needs. He noted, however, that, with a view to alleviating these conditions, the United States had taken various steps to reduce incentives to domestic production, to dispose of surpluses, and to

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[29] See the section on quantitative restrictions on imports into the United States, in ch. 5 of this report. See also *Operation of the Trade Agreements Program* reports as follows: Fifth report, pp. 32–33; sixth report, pp. 43–45; and seventh report, pp. 59–61 and 118.

encourage consumption. To reduce production incentives, for example, the United States on February 15, 1954, had decreased the support price for milk for manufacturing and for butterfat from 90 to 75 percent of parity. The reduction, which was the minimum permitted by law, became effective at the beginning of the 1954–55 marketing year. The United States had also initiated an active campaign to increase commercial consumption of milk, and in 1954 it had allocated about 50 million dollars for purchases of fluid milk for school children. It had also donated large quantities of milk for welfare purposes in the United States and abroad, and had approached other countries that export dairy products with a view to encouraging development of new markets in areas where consumption of dairy products is below minimum dietary standards.

The United States indicated that, as a result of these efforts, domestic production of dairy products had "leveled off," whereas consumption had increased. The output in 1954, however, continued to exceed the demand in the domestic market, and the Government had continued to purchase substantial quantities of dairy products, although at lower levels than in 1953. The United States indicated its belief that, within the framework of the approach it had outlined, a definitive solution to the commercial dairy problem could be achieved.

The contracting parties that considered this problem indicated that they were in general agreement with the steps the United States had taken, and they welcomed the flexibility that the United States had introduced into its price-support program. They expressed disappointment, however, that the report had not been more favorable. They pointed out that the import restrictions had been in effect nearly 4 years, with no substantial relaxation, and that the effect of such restrictions, as far as the contracting parties were concerned, had not changed. During the course of the discussion, it was noted that the United States price-support programs, whatever their domestic implications, had resulted in international difficulties that called for a domestic solution by the United States rather than for an international one.

After the discussion, the Contracting Parties adopted a resolution asking the United States to consider the harmful effect that its import restrictions had had on international trade relations generally, as well as the effects that these measures had had on the trade of a number of individual countries. The resolution requested the United States to report to the Contracting Parties on any new developments before the opening of the 10th Session, and it reaffirmed the right of interested parties to take retaliatory action under article XXIII. The Contracting Parties again authorized the Netherlands to limit imports of wheat flour from the United States to 60,000 metric tons for the calendar year 1955. Under the General Agreement, the quota provided for such imports is 72,000 metric tons. Under article XXIII the Netherlands—because of the

injury it feels it has sustained as a result of the United States restrictions on dairy products—has since 1953 restricted annual imports to 60,000 tons per year.

Peruvian prohibition of imports from Czechoslovakia

At the Ninth Session, Czechoslovakia complained to the Contracting Parties that Peru's prohibition of imports from Eastern European countries and Communist China, by a decree of March 11, 1953, had impaired or nullified benefits accruing to Czechoslovakia under the General Agreement. Czechoslovakia was the only contracting party to the General Agreement that was affected by the decree.

As a result of discussions at the Ninth Session, Peru acknowledged that its decree was inconsistent with its obligations to another contracting party. Peru subsequently announced that the decree in question had been abrogated.

Turkish import taxes and export bonuses

At the Ninth Session, the Contracting Parties considered an Italian complaint that Turkey on September 1, 1953, had violated its obligation under the General Agreement by establishing a system of export bonuses for certain agricultural products, and by levying special taxes on imports of specified products. Among the agricultural products to which the export bonuses applied were bitter almonds, lemons, wine, chestnuts, and table olives. The import taxes, which ranged from 25 to 75 percent ad valorem, applied to imports of certain nonessential goods.

As a result of discussions between Turkey and Italy, the matter was removed from the agenda. The Turkish Delegation stated that the measures in question were temporary devices designed to assist Turkey in relieving extreme balance-of-payments pressures. The representative of the International Monetary Fund indicated that the measures were, in fact, temporary multiple-currency practices and that they were compatible with the Articles of Agreement of the Fund. The Contracting Parties noted that such practices were to be discussed in connection with the scheduled review of the General Agreement, and that the question would be solved within this framework.

Customs Unions and Free-Trade Areas (Art. XXIV)

Article XXIV of the General Agreement exempts from the most-favored-nation principle the trade between countries that have formed a customs union or a free-trade area, or that have entered into an interim agreement preparatory to forming such a union or area. The agreements entered into must fulfill certain conditions and must be expected to achieve the desired results within a reasonable time.[30]

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[30] See Contracting Parties to GATT, *Basic Instruments . . .*, vol. 1, p. 53.

Among the waivers that the Contracting Parties have authorized under the provisions of article XXIV are those relating to the Nicaragua-El Salvador free-trade area, the South Africa-Southern Rhodesia customs union, and the European Coal and Steel Community. In accordance with the provisions of these waivers, the Contracting Parties at their Ninth Session considered the annual reports submitted by the countries that participate in the above-mentioned customs unions or free-trade areas.

Nicaragua-El Salvador free-trade area (third annual report)

The waiver relating to the Nicaragua-El Salvador free-trade area was approved by the Contracting Parties at their Sixth Session in 1951. The waiver freed Nicaragua from its most-favored-nation obligations with respect to products covered in its treaty which became effective August 21, 1951, with El Salvador. Under the terms of the treaty, the two countries agree to accord reciprocal duty-free treatment to certain listed products.

In its report to the Contracting Parties,[31] Nicaragua indicated that its exports to El Salvador of commodities specified in the treaty were equivalent to 2.3 percent of its total exports in 1953, whereas the value of its imports of such items from El Salvador was equivalent to 0.9 percent of its total imports. The report indicated that both governments considered developments under the treaty to be satisfactory, and that they envisioned future additions to the lists of items subject to free trade. The Contracting Parties noted the report, and requested that Nicaragua include in its fourth annual report an analysis of the trade between the two countries, including trade not conducted under the provisions of the treaty.

South Africa-Southern Rhodesia customs union (fifth annual report)

On April 1, 1949, the Union of South Africa and Southern Rhodesia placed in effect an interim Customs Union Agreement which looked toward the eventual formation of a permanent customs union. Under the terms of a waiver that the Contracting Parties granted to them on May 18, 1949, Southern Rhodesia and South Africa agreed to submit to the Contracting Parties, not later than July 1, 1954, a definite plan and schedule looking toward the completion of the customs union by April 1, 1959.[32]

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[31] Inasmuch as El Salvador is not a member of the General Agreement, only Nicaragua is obliged to report to the Contracting Parties on developments under the waiver. For a discussion of the first and second annual reports by Nicaragua, see *Operation of the Trade Agreements Program* reports as follows: Sixth report, p. 50, and seventh report, ch. 3.

[32] For a discussion of the previous reports of South Africa and Southern Rhodesia, see *Operation of the Trade Agreements Program* reports as follows: Sixth report, p. 49, and seventh report, pp. 64–65.

During 1953 Southern Rhodesia, Northern Rhodesia, and Nyasaland joined to form the Federation of Rhodesia and Nyasaland. On October 30, 1953, the Federation assumed responsibility for the international obligations of Southern Rhodesia, Northern Rhodesia, and Nyasaland, including their obligations under the General Agreement.[33] At the Eighth Session of the Contracting Parties, the Federation and the Union of South Africa reported that, because of the new developments, they had agreed to continue their interim Customs Union Agreement as a temporary arrangement in order to permit the new Federation to determine the nature of its future trade relations with South Africa. The Contracting Parties agreed to await further developments.

In a joint statement at the Ninth Session, the Federation of Rhodesia and Nyasaland and the Union of South Africa reported that consultations between the two countries had not yet been completed; moreover, their discussions had been complicated by a proposed new tariff schedule for the Federation. They therefore requested the Contracting Parties to postpone consideration of the question until the 10th Session, by which time they expected that their consultations would be completed. Subsequently, to insure that its proposed tariff would become effective at the appointed time (July 1, 1955), the Federation notified South Africa that it desired to terminate the Customs Union (Interim) Agreement as of that date. The two Governments continued their formal negotiations, however, for the purpose of determining future trade arrangements between the two countries.

On June 28, 1955, the two countries concluded a new trade agreement, effective July 1, 1955, which provides for specified tariff preferences between South Africa and the Federation. The two countries indicated that these preferences do not exceed those that South Africa had traditionally extended to Southern and Northern Rhodesia, provisions for which were incorporated in the General Agreement when South Africa became a contracting party to the agreement in 1948.[34] They stated that retention of these preferences was unlikely to result in a diversion of imports to the disadvantage of other contracting parties, and that failure to maintain them would result in serious economic repercussions for domestic industries in both South Africa and the Federation. Both countries indicated that in the light of these developments it would be impracticable to pursue the objective of a customs union.

The European Coal and Steel Community (second annual report)

On November 10, 1952, during their Seventh Session, the Contracting Parties granted to the six countries that participate in the European

[33] The Federation of Rhodesia and Nyasaland formally came into existence on September 3, 1953; on October 30, 1953, it succeeded to the status of Southern Rhodesia as a contracting party to the General Agreement.

[34] See Contracting Parties to GATT, *Basic Instruments . . .*, vol. 1, p. 63.

Coal and Steel Community (Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands) a waiver of their obligations under articles I and XIII of the General Agreement. The granting of the waiver was analogous to authorizing a limited customs union, under article XXIV, for the purpose of establishing a common market—with respect to the Community—for coal, iron ore, scrap iron, and steel products. The waiver released the members of the Community from their obligation to apply most-favored-nation treatment to imports of products for which the common market was envisaged, and from their obligation to refrain from the use of discriminatory quantitative restrictions with respect to such commodities.

At the Ninth Session, pursuant to the terms of the waiver, the Community submitted its second annual report to the Contracting Parties on the progress it had made toward implementing the treaty that constituted the Community.[35] The Contracting Parties established a working party to consider the Community's report; a representative of the High Authority of the Community attended the meetings of the working party as an observer. The Contracting Parties adopted the report of the working party on January 18, 1955.[36]

In considering specific measures that the member states had adopted under the treaty, the working party noted that, except for duties applicable to imports of special steels into Italy, all customs duties and other charges have been eliminated, as of August 1, 1954, with respect to intracommunity trade in the products covered by the waiver. With respect to imports of special steels into Italy, the waiver and the convention provided that the Italian duties would be reduced by stages, and that they would be eliminated by the end of the transition period in 1958. The working party noted that this procedure was being followed. In accordance with the waiver, the Benelux countries had established quotas on imports of certain steel products until July 31, 1955. The special fees established for entries in excess of the quota were within the limits prescribed by the waiver.[37]

[35] The Community operates under a treaty concluded by the participating countries (effective July 23, 1952), as well as under a convention providing for certain transitional arrangements. See European Coal and Steel Community, *Treaty constituting the European Coal and Steel Community, and Convention containing the Transitional Provisions*, [1951]. For the text of the waiver and the report of the working party that considered the problem, see Contracting Parties to GATT, *Basic Instruments . . .*, First Supplement, pp. 17–22 and 85–93.

[36] For the report of the working party, see Contracting Parties to GATT, *Basic Instruments . . .*, Third Supplement, pp. 146–169.

[37] Under the waiver, Benelux is authorized to modify concessions in its schedule of tariff concessions under the General Agreement by establishing tariff quotas on certain steel products. These special arrangements are to expire not later than 5 years after the creation of the common market for coal—that is, by February 10, 1958. See Contracting Parties to GATT, *Basic Instruments . . .*, First Supplement, pp. 17–22.

The working party also commented on various measures that the Community had adopted with respect to commercial policy, including actions it had taken to control exports of iron and steel scrap from the Community, to harmonize tariffs and other trade regulations, and to insure that equitable prices are charged for exports from the Community. The working party reaffirmed its conviction that, although controls on exports of scrap from the Community are permissible under the waiver, in order to prevent or relieve critical shortages such controls should be relaxed as soon as possible. It noted that, for some products, German and French industries had agreed to maintain supplies to third countries at certain levels in times of shortage, and that the representatives of Germany and France had given definite assurances that such commitments would not interfere with their obligations to accord other contracting parties treatment consistent with the provisions of the General Agreement.

Some members of the working party expressed disappointment that Italy had not reduced its rates of duty on special steels when the common market for them was established. Failure to do so, they maintained, had made it difficult for their countries to compete in the Italian market. The working party noted that France and Germany had adopted measures that substantially harmonized their tariffs for special steel products; France, however, had reimposed quantitative restrictions on imports of special steels from third countries.

The working party discussed at length the question of policy regarding price agreements among members of the Community, and the influence that such agreements might have on markets within and outside the Community. The question arose in connection with allegations that a cartel, known as the Brussels Convention, was establishing minimum export prices for steel, and that it had imposed a penalty-quota system for producers that did not adhere to these minimum prices. The High Authority advised that it was following the situation closely, but that it was not in a position to take action since it had not found evidence that these agreements had had a disturbing influence on competition within the common market, or that the export prices for products involved were inequitable.

The working party noted that the waiver had been granted to the Community with the understanding that the Community would utilize it to prevent restrictive practices with respect to coal and steel products. The working party stated that, although the waiver did not mention export cartels as such, the High Authority is clearly obligated to assure that equitable prices are charged in markets outside the Community. The working party noted a certain unification of export prices for steel products; it also noted that differential prices were applied to shipments to the United States and Canada, Switzerland, and other destinations.

In this connection, representatives of the High Authority stated that the Community export prices were generally lower than, or equal to, those of other exporters that compete with the Community in the world market. Because of the limited information available, however, the working party stated that it did not feel qualified to analyze the conditions under which prices are formed in international markets for steel products. The Contracting Parties requested the High Authority to furnish information on the results of its examination of producers' agreements within the Community, as well as on the action it may decide to take.

In its conclusions, the working party noted that substantial progress had been made toward achieving the objectives of the treaty. With regard to some specific objectives of special concern to third countries, progress had not been as rapid as had been expected—as evidenced for example, by the alleged failure of some countries, in harmonizing their tariffs, to give adequate consideration to the interest of third countries, and the failure of Italy to reduce its rates on special steel. The working party noted that there were divergent views regarding the precise scope and legal effects of the waiver, and recommended its clarification before the Contracting Parties consider the third annual report of the Community. The working party also noted that representatives of third countries wished to stress the point that the Community must pay particular attention to the effects that the exercise of the special privileges granted in the waiver may have on the competitive position of the producers in third countries and on the prices asked from their consumers. These representatives pointed out that the Community is the world's principal exporter of steel products, and that, consequently, any agreement on export prices—especially if buttressed by devices reminiscent of the practices of former cartels—may adversely affect the interests of consumers in third countries.

Acceptance, Entry Into Force, and Registration (Art. XXVI)

Under article XXVI and the Protocol of Provisional Application of the General Agreement, contracting parties apply the general provisions of the General Agreement provisionally, and they apply articles III–XXXV (in part II of the agreement) only to the extent that the provisions of those articles are not inconsistent with domestic legislation in existence at the time the contracting party acceded. The General Agreement will not enter into force definitively until it has been accepted by contracting parties that account for 85 percent of the total external trade of the Contracting Parties.[38]

[38] Annex H of the General Agreement (see Contracting Parties to GATT, *Basic Instruments . . .*, vol. 1, p. 67) specifies the method to be used for computing this percentage. An amendment proposed to art. XXVI, pursuant to the review of the General Agreement at the Ninth Session, provides for the inclusion in this computation of countries that have acceded to the agreement since 1947. See ch. 2 of this report.

At their Ninth Session, the Contracting Parties agreed that it would be desirable to have the individual contracting parties accede to the agreement definitively at the earliest possible date. They recognized, however, that it would not be practicable for certain countries to bring their domestic legislation into conformity with part II of the agreement immediately. They therefore adopted a resolution permitting a contracting party to accede to the General Agreement definitively, without immediately bringing its domestic legislation into conformity with part II of the agreement.

Under the terms of the resolution, the Contracting Parties unanimously agree that the definitive acceptance of article XXVI shall be valid, even if accompanied by a reservation to the effect that the acceding country will apply part II of the agreement only to the fullest extent not inconsistent with its domestic legislation. Any contracting party that attaches such a reservation to its definitive acceptance of the agreement must submit to the Contracting Parties a list of the principal legislative provisions covered by its reservation. The resolution specifies that the Contracting Parties shall annually review the progress that is being made to bring such legislation into conformity with the agreement. Three years after the General Agreement enters into force definitively under article XXVI, the Contracting Parties will review the situation then prevailing with respect to the above-mentioned reservations, for the purpose of assessing the progress achieved toward the full application of the General Agreement and of making appropriate recommendations.

TARIFFS AND TARIFF NEGOTIATIONS

Report of the Working Party on the Reduction of Tariff Levels

At their Eighth Session in 1953, the Contracting Parties studied in detail the technical aspects of a plan that France had submitted on July 22, 1953, for the reduction of tariff duties by the Contracting Parties.

The problem that the French plan attempted to resolve arose during the Torquay Conference in 1950–51. Under the General Agreement, tariff negotiations are conducted on the basis of strict reciprocity, and on a product-by-product basis.[39] Under this arrangement, each contracting party prepares an offer list and negotiates with its principal supplier on selected products on which it is prepared to offer concessions. The results of these negotiations are then incorporated into the schedules annexed to the General Agreement. In this negotiation technique, each country expects to obtain concessions from other countries roughly equivalent to the concessions that it grants.

[39] For a description of the tariff negotiating procedures that were followed at the Geneva, Annecy, and Torquay Conferences, see *Operation of the Trade Agreements Program* reports as follows: First report, pt. 2, pp. 19–20, 35–36, and 39–41; third report, pp. 41–47 and 109–115; and fourth report, pp. 49–58.

The necessity for a new approach to the problem of tariff reduction resulted from the weak negotiating positions of the low-tariff countries. At Geneva and Annecy those countries bound a large number of their import duties against increase, in accordance with the negotiating rule that the binding of a low rate of duty or the binding of duty-free treatment is to be regarded as a concession equivalent in value to a substantial reduction in a high rate of duty.[40] At the Torquay Conference in 1950–51, the low-tariff countries held that the rebinding of their import duties should be regarded as concessions equivalent to further reductions in higher rates of duty by other countries. The high-tariff countries, however, were reluctant to make further reductions in return for such rebinding. On the other hand, the low-tariff countries had already bound so many of their rates that they had few concessions left to offer. The low-tariff countries felt that if further progress was to be made toward reducing tariff levels the negotiating procedures would have to be reconsidered. They also believed that the existing rules were not suitable for resolving the problem of the disparity in tariff rates, especially among Western European countries. The low-tariff countries maintained that the disparity in rates of duty should be narrowed through the lowering of high rates, without reductions in low rates.

At Torquay, the Benelux countries proposed the so-called Blankenstein plan for reducing the disparity of tariff levels in Europe. This plan called for unilateral reductions of import duties by high-tariff countries, which, under the most-favored-nation provisions of article I of the General Agreement, would have to be extended to other countries. In April 1951 the Contracting Parties established a working party to consider the proposal. At the Sixth Session in September 1951, France suggested an alternative plan of broader scope—the Pflimlin, or French, plan.

Because of the many technical problems involved in the French proposal, the Contracting Parties at their Sixth Session established a working party to consider it; the working party, in turn, set up a subgroup. In July 1953, after several meetings of the subgroup during which the plan was elaborated and refined, the French Government presented a revised plan. The revised plan incorporated modifications designed to make it more acceptable to the low-tariff countries. During the Eighth Session, in October 1953, the plan was presented to the Contracting Parties as being technically feasible.

As last modified, the French plan calls for each participating country to reduce average rates of duty in a base year (to be decided on after negotiation) by 30 percent, in stages of 10 percent in each of 3 successive years. To achieve this objective, the import trade of each country would be divided into 10 categories of goods, and the average rate of duty for

[40] For the tariff-negotiating procedures adopted by the Contracting Parties, see Contracting Parties to GATT, *Basic Instruments . . .*, vol. 1, pp. 104–119.

each category would be reduced by 30 percent. For countries with relatively low rates of duty, the reductions would be less than 30 percent. In addition, the plan calls for each country to reduce—within 3 years—all individual rates of duty that exceed certain levels. Under the proposed plan, the method of accomplishing the reduction would be left to individual countries.

At the Eighth Session, the Contracting Parties also turned over to the working party that was considering the French plan a proposal submitted by the Council of Europe. This proposal (the Ohlin plan) was for the creation of a "Low Tariff Club" as a first step toward the formation of a European customs union. Under the plan, a maximum (or overall ceiling) would be established for all customs duties, and 3 duty ceilings would be established for 3 categories of goods—raw materials, semifinished goods, and finished goods and food products. The plan also proposed that high import duties of a fiscal nature be converted into internal taxes that would be imposed equally on both imported and domestically produced commodities. During the first year of its operation the plan would apply to 70 percent of the total import trade of each country; during the second year it would apply to 80 percent, and during the third year, to 90 percent.[41]

All the contracting parties indicated that they would require considerable time to study the principles and technical implications of these proposals. The consensus was that the plans should not be considered until after the proposed revision of the General Agreement had been completed at the Ninth Session in October 1954. Accordingly, the Contracting Parties decided to submit the report of the working party on the French plan to the respective contracting parties for consideration, and they instructed the Intersessional Committee to complete its examination of the French plan, the Council of Europe's "Low Tariff Club" proposal, and any other proposal that might be submitted.

At their Ninth Session, the Contracting Parties decided that plans for tariff-reduction procedures should be considered in connection with the scheduled review of the General Agreement. They therefore established a working party to consider the matter and to suggest what further steps could be taken to formulate an acceptable plan for consideration by the Contracting Parties.

During the discussion by the working party, some of the contracting parties stated that it probably would not be possible for them to join in an automatic plan for the reduction of tariffs, and they indicated they would prefer to have any future tariff negotiations follow the procedures that were employed at the Geneva, Annecy, and Torquay Conferences. Several other contracting parties, especially those representing European

[41] For a complete discussion of the French plan and the Ohlin plan, see *Operation of the Trade Agreements Program* (seventh report), pp. 69–75.

low-tariff countries, pressed for immediate further progress, and the Benelux countries indicated that they were prepared to proceed along the lines discussed at the Eighth Session. Still other contracting parties considered that little could be done until the attitude of the major trading nations with respect to such proposals became known.

As a result of these discussions, the Contracting Parties established an intersessional working party to study the "possibilities of future action directed to the reduction of the general level of tariffs, with special consideration being given to the reduction of unreasonably high tariffs." The working party consisted of Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom, and the United States. The Contracting Parties directed the working party to make preparations for the convening of a tariff conference as soon as progress in the field is possible, and to report to the Contracting Parties at the 10th Session.

Accession of Japan to the General Agreement

Article XXXIII of the General Agreement provides for the accession of new countries to the agreement, upon terms established by the Contracting Parties and upon approval by two-thirds of the countries that are already participating in the agreement.

In July 1952 Japan notified the Contracting Parties that, in accordance with the procedures for negotiating with nonmember countries, it desired to negotiate for accession to the General Agreement. At the Seventh Session the Contracting Parties adopted a resolution stating that Japan should be permitted to take its rightful place in the community of trading nations and that it should be admitted to appropriate international organizations.

The inability of the Contracting Parties to schedule tariff negotiations with Japan within a reasonably short period, however, created an impasse, since entry into tariff negotiations with the various contracting parties is a requirement for accession to the General Agreement. On August 4, 1953, in a note to the Contracting Parties, Japan therefore suggested that it be permitted to accede to the agreement on a provisional basis. At their Eighth Session, the Contracting Parties considered Japan's proposal, and approved a Decision inviting Japan to participate in the General Agreement. Pending Japan's formal accession, they adopted a declaration regulating commercial relations—with respect to countries that accepted the declaration—between the participating contracting parties and Japan.

In August 1954, the ad hoc Committee for Agenda and Intersessional Business recommended that arrangements be made for tariff negotiations with Japan, beginning in February 1955. On February 21, 1955, Japan commenced negotiations at Geneva with each of 17 contracting parties

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with a view toward its accession to the General Agreement; the negotiations were concluded on June 7, 1955. The results of the negotiations for the accession of Japan are embodied in two instruments: (1) A decision agreeing to Japan's accession to the General Agreement, and (2) the Protocol of Terms of Accession of Japan. At the conclusion of the tariff negotiations on June 7, the Contracting Parties provided for a vote, by postal ballot, on the decision to admit Japan to the General Agreement. Japan's accession was to become effective on September 10, 1955, provided the necessary two-thirds of the contracting parties approved the decision by August 11, 1955, and provided Japan signed the Protocol of Accession by that date.[42]

Under the terms of the protocol, and in accordance with the provisions of article XXXIII, Japan is entitled to all the concessions it obtained from each of the 17 countries with which it negotiated at Geneva. Except with respect to the schedules of those contracting parties that decided to invoke the provisions of article XXXV, Japan is also entitled, in its own right, to the concessions that the contracting parties negotiated at the Geneva, Annecy, and Torquay Conferences.[43]

German Import Duties on Starch and Potato Flour

During the negotiations between the Benelux countries and the Federal Republic of Germany at Torquay in 1950–51, the Benelux countries requested Germany to reduce its import duties on cereal starch, potato flour, and their derivatives, to the level of the duties applied by the Benelux countries. Although the Federal Republic was unable immediately to reduce these duties to the level requested, it agreed to take steps to do so at a later date. Both parties agreed that this commitment would constitute a part of the concessions negotiated at Torquay, and that the proposed negotiations would be completed without any further concessions being granted by the Benelux countries.

The Benelux countries and the Federal Republic resumed negotiations in the fall of 1952, but because of difficulties faced by the respective German industries, they did not reach an agreement. They again resumed negotiations in February 1954, at which time the Federal

[42] Japan signed the Protocol of Accession on June 7, 1955. On September 10 the Contracting Parties announced that all the contracting parties had voted in favor of Japan's accession. Japan, therefore, became a contracting party to the General Agreement on September 10, 1955. Fourteen of the contracting parties that had not negotiated with Japan—Australia, Austria, Belgium, Brazil, Cuba, France, Haiti, India, Luxembourg, the Netherlands, New Zealand, the Federation of Rhodesia and Nyasaland, the Union of South Africa, and the United Kingdom—gave formal notice to the Contracting Parties that, under the provisions of art. XXXV, the provisions of the General Agreement would not apply as between themselves and Japan.

[43] For a detailed discussion of the character and scope of the negotiations between Japan and other contracting parties at Geneva, see ch. 4.

Republic submitted alternative proposals with respect to potato flour. It indicated, however, that it was not prepared to enter into negotiations on starch and starch derivatives. This was not satisfactory to the Benelux countries, and they therefore requested the Contracting Parties to examine the question, with a view to arriving at an equitable solution.

At the Ninth Session, the Contracting Parties invited the two countries to resume bilateral negotiations with a view to arriving at some alternative solution. Pursuant to these negotiations, the Delegation of the Federal Republic of Germany agreed to request its Government to establish an annual customs quota for potato starch of 20,000 tons, dutiable at a rate of 15 percent ad valorem; it also agreed to request its Government to reduce the rate of duty on maize and wheat starch from 25 percent to 15 percent ad valorem. The offer stated that these concessions would be limited to a period of 3 years. The German delegate also agreed to request his Government to negotiate with the Benelux countries, within 1 year after these concessions entered into force, with a view to reducing its import duties on rice starch and starch derivatives.

The Benelux Delegation agreed to these proposals, but reserved the right to submit the problem to the Contracting Parties again if the proposed concessions were not approved by the German Parliament, or if the concessions were withdrawn after the 3-year period stipulated in the German offer. The Contracting Parties, therefore, removed the item from the agenda.

Modification of Schedules (Art. XXVIII)

Article XXVIII of the General Agreement originally provided that contracting parties might modify their schedules of concessions after January 1, 1951, without joint action by the Contracting Parties. Commencing with that date, any contracting party was permitted to withdraw or modify a concession it had originally granted. The contracting party desiring to do so, however, was first required to negotiate with the contracting party with which the concession was originally negotiated. It was also required to consult with other contracting parties having a substantial interest in the concession. In such negotiations, provisions might be made for compensatory adjustments with respect to other products.

Another provision of article XXVIII stipulates that if agreement cannot be reached, the concession in question may nevertheless be withdrawn or modified. However, the country to which the concession was originally granted and the other contracting parties having a substantial interest in it may thereupon themselves withdraw concessions substantially equivalent to those withdrawn from them.

To prevent the "unraveling" of tariff concessions in the General Agreement through the process of withdrawal and retaliation, the Con-

tracting Parties have twice extended the date after which the contracting parties might modify their schedules of concessions without first consulting with the Contracting Parties. At Torquay, the Contracting Parties amended article XXVIII by changing from January 1, 1951, to January 1, 1954, the date after which adjustments in the schedules might be made without joint action by the Contracting Parties. At the Eighth Session in 1953, the Contracting Parties again extended the assured life of the tariff concessions until July 1, 1955.

As a result of the review of the General Agreement at their Ninth Session, the Contracting Parties proposed to amend article XXVIII by continuing the assured life of the schedules of concessions until January 1, 1958, and by providing further automatic extensions for periods of 3 years each, unless the contracting parties subsequently agreed to other periods by a two-thirds vote.

To cover the period before the entry into force of the proposed amendment, the Contracting Parties drew up a declaration, dated March 10, 1955, calling for the continued application of the scheduled concessions during the interim period—that is, from July 1, 1955, to January 1, 1958—or until the amended procedures become effective, whichever is earlier. During this period, contracting parties that have accepted the declaration agree not to invoke the provisions of article XXVIII for the purpose of unilaterally withdrawing or modifying any scheduled concession, and they agree not to cease to apply the most-favored-nation treatment they are required to accord under article II of the General Agreement. However, the declaration authorizes a contracting party that entered into negotiations before July 1, 1955, for the purpose of modifying its scheduled concessions under the original article XXVIII, to continue such negotiations and, in pursuance thereof, to make any modification or withdrawal it finds necessary. Such a contracting party is required to complete its negotiations not later than September 30, 1955.[44] As of April 20, 1955, 9 of the 34 contracting parties—Belgium, Ceylon, Chile, Denmark, Finland, the Federal Republic of Germany, Indonesia, Sweden, and the United States—had signed the declaration.

ADMINISTRATION OF THE AGREEMENT

Procedures for the Conduct of Intersessional Business, and Arrangements for the 10th Session

At their Sixth Session in 1951, the Contracting Parties established—on an experimental basis—an ad hoc Committee for Agenda and Intersessional Business. The Committee was designed to handle matters that might require prompt action during the period between the regular

[44] For a discussion of the principal negotiations by the Contracting Parties in 1955 under art. XXVIII, see ch. 4 of this report.

sessions of the Contracting Parties. At their Seventh Session the Contracting Parties agreed to extend the functions of the Intersessional Committee until the Eighth Session; at the Eighth Session they continued its functions until the Ninth Session. At their Ninth Session the Contracting Parties revised the procedures for conducting intersessional business, along the lines recommended by the working party they had established to study problems related to the continuing administration of the agreement.[45]

Pursuant to the recommendations of the working party, the Contracting Parties changed the name of the Committee to the "Intersessional Committee" and increased its membership from 15 to 17. The members of the Committee are to be elected at each regular session of the Contracting Parties.[46] The presiding officer of the Committee is the Chairman of the Contracting Parties. If a member of the Committee withdraws, a new member may be appointed by the Chairman.

The Intersessional Committee is empowered to consider matters that require urgent action between sessions, but for which the Contracting Parties have made no special arrangements. The Committee may establish working parties to consider special problems during intersessional periods, and may request the convening of special sessions of the Contracting Parties to consider matters that require their immediate attention. The Committee, however, is empowered to make such decisions as are authorized by the Contracting Parties when they refer matters to it for investigation and action. 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. The Contracting Parties decided to hold their 10th Session at Geneva, beginning October 27, 1955.

Election of Chairman and Vice Chairmen

At the close of the Eighth Session in 1953, the Contracting Parties elected Mr. L. Dana Wilgress, of Canada, as Chairman of the Contracting Parties; Mr. Fernando Garcia Oldini, of Chile, as First Vice Chairman; and Mr. Gunnar Seidenfaden, of Denmark, as Second Vice Chairman—all for a period of 1 year. At the Ninth Session, the Contracting Parties unanimously reelected these officers for a period of 1 year.

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[45] For a description of the functions and responsibilities of the Intersessional Committee, see Contracting Parties to GATT, *Basic Instruments . . .*, Third Supplement, pp. 9–13 and 245–247.

[46] The members of the Committee elected in March 1955 included Australia, Austria, Belgium, Brazil, Canada, Chile, Cuba, France, the Federal Republic of Germany, India, Indonesia, Italy, Pakistan, Sweden, the Union of South Africa, the United Kingdom, and the United States. Except for Austria, each of these countries had been on the former ad hoc Committee for Agenda and Intersessional Business.

Rectification of Schedules

At the Ninth Session, the Contracting Parties considered and approved the requests of a number of contracting parties for authorization to modify their schedules of concessions. Accordingly, the Contracting Parties drew up a Fourth Protocol of Rectifications and Modifications, which was opened for signature on March 7, 1955.[47] The protocol incorporated changes in the schedules of concessions of the following countries: Australia (schedule I), Benelux (schedule II), Burma (schedule IV), France (schedule XI), Greece (schedule XXV), India (schedule XII), the Federation of Rhodesia and Nyasaland (schedule XVI), the United Kingdom (schedule XIX), the United States (schedule XX), Denmark (schedule XXII), Sweden (schedule XXX), Austria (schedule XXXII), the Federal Republic of Germany (schedule XXXIII), and Turkey (schedule XXXVII).

Financial Statement and Budget Estimates

Because of the review of the General Agreement that the Contracting Parties undertook at their Ninth Session, the budget estimate for 1955 ($422,550) was substantially larger than that for 1954 ($344,500). The 1955 budget was to be financed from (1) miscellaneous income estimated at $16,600, (2) a transfer from the cash reserve of $63,950, and (3) contributions from individual contracting parties totaling $342,000. In accordance with the administrative procedures adopted by the Contracting Parties, contributions of individual contracting parties are computed on the basis of the share of the total foreign trade that is accounted for by each of the contracting parties. Under this arrangement the largest contributions are made by the United States and the United Kingdom ($60,000 each), France ($21,000), and Canada ($15,000).

OTHER DEVELOPMENTS

Special Problems of Dependent Overseas Territories of the United Kingdom

During the Ninth Session, the United Kingdom requested the Contracting Parties to authorize it to take special action to deal with special responsibilities it has in connection with its dependent overseas territories.

In making its request, the United Kingdom pointed out that, in its relationship with its dependent territories, it is confronted with various problems that are not common to relationships between independent countries. The United Kingdom stated that it renders various types of assistance in economic and social fields that are designed to fulfill its social and political obligations for the well-being of its dependencies. Such

[47] For the status of the protocol as of April 15, 1955, see Contracting Parties to GATT, *Basic Instruments . . .*, Third Supplement, p. 17.

assistance takes the form of direct financial support, programs for technical aid, the promotion of new industries, and assistance to the territories in the development and expansion of markets overseas. To a large extent these territories depend on the United Kingdom as an outlet for their products.

The United Kingdom acknowledged that, although it had access to the provisions of article XVIII of the General Agreement, which permit it to take special action to assist in the economic development of such areas, it required additional authority to permit it to fulfill its special responsibilities to promote the social and economic development of the dependent territories. It therefore proposed an amendment to an appropriate article of the General Agreement under which a metropolitan country might take any action, or invoke any procedure under the agreement, on behalf of a dependent territory, and the provisions of the agreement would apply as though the dependent territory were within the customs area of the metropolitan country.

The working party that considered the United Kingdom's proposal found two principal objections to it. The working party considered the proposal too broad, both with respect to its application to all dependent overseas territories and with respect to the field of products that might be covered by it. Moreover, they considered that such an amendment to the General Agreement would recognize the problem as a permanent one, whereas the difficulties of the dependent areas are basically transitional. They proposed, therefore, that the Contracting Parties grant a waiver to the United Kingdom from its obligations—under appropriate articles of the agreement—to enable it to fulfill its special obligations to 45 specified dependent territories, consistently with the broad objectives of the General Agreement.

As adopted, the waiver exempts the United Kingdom, with regard to action it initiates on behalf of these dependent areas, from its obligations under the General Agreement with respect to article I (permitting it to increase margins of preference); article VI (permitting it to employ subsidies for products of the dependencies exported to the United Kingdom); article XVI (permitting it to employ countervailing duties or antidumping duties to protect production in dependent territories for the United Kingdom market); and article XIX (permitting it to take emergency action in the interest of exports from the dependencies to the United Kingdom). The waiver also permits the United Kingdom to apply quantitative restrictions to imports into United Kingdom markets of products from other countries that also are imported from the dependent territories. The right to employ such restrictions is subject to the provisions of the Decision of the Contracting Parties—adopted at their Ninth Session—relating to the use of quantitative restrictions for balance-of-payments reasons.

Action under the waiver is limited to industries in the dependent territories that are wholly, or in large measure, dependent on the United Kingdom as a market. Any measure adopted in pursuance of the waiver must not afford material benefit to industries in the United Kingdom with respect to either their domestic or export markets. Before increasing the margin of preference with respect to territorial products, the United Kingdom must seek the concurrence of the Contracting Parties, with a view to negotiating a compensatory adjustment in the event a contracting party considers that it may suffer injury as a result of the proposed action. Moreover, with respect to any other action under the waiver, the United Kingdom must consult with any contracting parties whose interest is adversely affected, with a view to limiting or modifying such action. If as a result of such consultation, a satisfactory agreement is not reached, the contracting party or parties that requested the consultation may refer the matter to the Contracting Parties for appropriate action. The waiver does not preclude the right of a contracting party to have recourse to the provisions of article XXIII of the General Agreement in the event it considers that benefits accruing to it under the agreement have been nullified or impaired by action of the United Kingdom pursuant to the waiver.

Resolutions on International Investment for Economic Development, Disposal of Surplus Stocks, and Liquidation of Strategic Stocks

During the course of their review of the General Agreement at the Ninth Session, the Contracting Parties noted that one of the important objectives of the agreement is to raise standards of living, develop resources, and expand the production and exchange of goods, particularly in underdeveloped countries. In pursuance of the spirit of these objectives at their Ninth Session, the Contracting Parties adopted a resolution recommending that contracting parties in a position to provide capital for foreign investment and contracting parties that desire to obtain such capital cooperate with one another to create conditions designed to stimulate the international flow of capital for investment purposes.

In a resolution dealing with the disposal of surplus agricultural commodities, the Contracting Parties urged the contracting parties, when preparing to liquidate any surplus stocks they might hold, to consult with the principal suppliers of such commodities, as well as with other interested contracting parties, with a view to avoiding undue disturbances in world markets.

A third resolution dealt with problems covering the liquidation of stocks of primary products accumulated in connection with stockpiling programs related to national defense. The resolution noted that such liquidation could, if initiated without adequate regard for the commercial

interests of producers and consumers, cause serious damage by unduly disrupting world markets. The resolution recommended that a contracting party give at least 45 days' notice of its intention to liquidate such stocks, and that it consult fully with any contracting party having a substantial interest in the matter and requesting such consultation, with a view to avoiding or minimizing any disruption in world markets for the product concerned.

Reports on Customs Administration [48]

Standard practices for consular formalities

At their Seventh Session in 1952, the Contracting Parties recommended that contracting parties abolish the requirement for consular invoices and consular visas by December 31, 1956. They also requested that individual contracting parties report, not later than September 1 of each year, to the Contracting Parties on the steps they have taken to abolish consular formalities.

The reports that the Contracting Parties prepared at their Ninth Session indicated that a total of 22 contracting parties do not require consular invoices or consular visas for goods imported from other contracting parties. The list included Belgium and the United Kingdom, which had previously maintained consular requirements in a limited number of instances. Four countries indicated that they do not require invoices except in special circumstances; one of these indicated that it had arranged to abolish such requirements by the end of 1956. The Contracting Parties noted that further progress had been made toward relaxing consular formalities, and expressed the hope that such formalities would be completely eliminated by December 31, 1956.

Nationality of origin of imported goods

At their Eighth Session in 1953, the Contracting Parties submitted to the individual contracting parties, for study, a definition of the origin of imported goods for use by countries in connection with their customs administration. The definition contained the following provisions: (1) The nationality of goods resulting exclusively from materials and labor of a single country would be that of the country where the goods were harvested, extracted from the soil, manufactured, or otherwise produced; (2) the nationality of goods resulting from materials and labor of two or more countries would be that of the country in which such goods had last undergone a substantial transformation; and (3) a substantial transformation would be considered as having taken place when the processing resulted in a new individuality being conferred on the goods.

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[48] For the complete reports prepared on this subject by the Contracting Parties at their Ninth Session, see Contracting Parties to GATT, *Basic Instruments . . .*, Third Supplement, pp. 91–94.

At their Eighth Session, the Contracting Parties also made certain recommendations relating to proof of origin of imported goods. They suggested (1) that certificates of origin be required only when they are strictly indispensable; (2) that as large a number of competent bodies as possible be authorized to issue certificates of origin, in order to minimize the time required by traders to obtain them; and (3) that, when an importer is unable to produce a certificate of origin at the time goods are imported, the customs authorities grant him a period of grace in which to obtain the necessary document. The Contracting Parties also recommended that the draft definition of nationality of goods proposed by the majority of the working party be transmitted to individual contracting parties for study. Twenty-eight contracting parties responded in time for the Contracting Parties to consider their comments and suggestions at the Ninth Session. Eleven countries indicated that they would be willing to accept the proposed definition of origin without reservation; eight countries indicated that they were opposed in principle to the definition, and nine countries stated that they could not accept the proposed definition without modification. Because of these basic differences with respect to a standard definition, the Contracting Parties decided to continue the item on the agenda for further study at the 10th Session.

Documentary requirements for the importation of goods

On November 7, 1952, the Contracting Parties adopted a Code of Standard Practices designed to limit the number and kind of documents used in connection with the importation of goods.

The Contracting Parties recommended that import data required for customs or other governmental purposes be limited to transport documents (bills of lading and consignment notes) and commercial invoices, accompanied—where necessary—by packing lists. In certain circumstances, however, other documents, such as certificates of origin, freight or insurance certificates, consular invoices, and sanitary certificates, might be required. The Contracting Parties made certain other recommendations designed to further reduce documentary requirements for imported goods, and suggested that the various contracting parties report, not later than August 1, 1954, on the steps they had taken to bring their practices into conformity with the recommendations.

At their Ninth Session the Contracting Parties considered the replies that they had received. The replies indicated that most contracting parties conform fully or substantially with the code. Substantial variations exist, however, in the number of documents required in connection with imports, although most of the reporting governments stated that they required only two copies. All the reporting countries appeared to be conforming to the code with respect to its recommendations on the collection of statistical information; none of them required exporters to furnish

information for statistical purposes. Similarly, the reporting countries appeared to be operating in conformity with the recommendation of the code that an exporter or shipper not be required to classify his goods according to the importing country's customs tariff. In some exceptional cases, however, individual countries do require the exporter to provide a breakdown of values under the different tariff headings.

Comparative study of methods of valuation for customs purposes

At their Eighth Session, the Contracting Parties inaugurated a study of the various methods of valuation employed by contracting parties for customs purposes, and they requested the contracting parties to furnish information on their individual practices by August 1954. At the Ninth Session a technical working party prepared a study of the replies that had been received.

Virtually all the contracting parties employ one or more of the following three criteria in determining the value of imported goods for customs purposes: (1) The price of like goods in the market of the exporting country, (2) the actual export price, or (3) the price of comparable goods in the importing country. Within each of these general criteria, however, there are marked differences in the practices of individual countries. For example, some countries that employ the domestic value in the country of export establish the value at an f. o. b. point; others establish the value prior to the f. o. b. point, and still others establish the value on a c. i. f.[49] basis. The Contracting Parties agreed that the information provided a useful source of reference material, and that it would serve as a basis for further study of the problem.

Discrimination in transport insurance

At their Eighth Session, the Contracting Parties requested the Executive Secretary to prepare a report on practices that involve discrimination in transport insurance. A questionnaire on the subject was submitted to all the contracting parties, as well as to other countries, through the Secretary-General of the United Nations. A total of 36 replies was received. At their Ninth Session, the Contracting Parties decided to place the matter on the agenda for further consideration at the 10th Session.

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[49] Cost, insurance, and freight.

Chapter 4

United States Trade-Agreement Negotiations During 1955

During the period covered by this report, the United States participated in two trade-agreement negotiations: (1) Negotiations sponsored by the Contracting Parties to the General Agreement on Tariffs and Trade, primarily for the accession of Japan to the General Agreement, and (2) negotiations between the United States and Switzerland for a supplementary bilateral trade agreement.

NEGOTIATIONS SPONSORED BY THE CONTRACTING PARTIES TO THE GENERAL AGREEMENT

Character and Scope of the Negotiations

Negotiations for the accession of Japan

In July 1952 Japan notified the Contracting Parties that, in accordance with the special procedures they had established for negotiating with nonmember countries, it desired to negotiate for accession to the General Agreement.[1] During the succeeding months, the inability of the Contracting Parties to schedule tariff negotiations with Japan created an impasse, since entry into tariff negotiations with the various contracting parties is a requirement for accession to the General Agreement. At their Eighth Session in 1953, however, the Contracting Parties agreed to Japan's participation in the General Agreement on a provisional basis pending Japan's accession to the agreement after tariff negotiations.[2]

At its meeting in August 1954, the ad hoc Committee for Agenda and Intersessional Business again considered Japan's request that the Contracting Parties schedule tariff negotiations looking toward Japan's accession to the General Agreement. The Committee, by majority vote, recommended that the Contracting Parties arrange for tariff negotiations with Japan, to begin in February 1955. On October 29, 1954, at their Ninth Session, the Contracting Parties approved the recommendation of the Intersessional Committee.

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[1] The procedures for negotiating with nonmember countries that desire to accede to the General Agreement were adopted at the Sixth Session of the Contracting Parties in October 1951. See *Operation of the Trade Agreements Program* (fifth report), pp. 39–40, and Contracting Parties to GATT, *Basic Instruments . . .*, vol. 1, pp. 110–111.

[2] See ch. 3.

The tariff negotiations looking toward the accession of Japan to the General Agreement, which were held at Geneva, Switzerland,[3] began on February 21, 1955, and ended on June 7, 1955. Besides Japan, the following 17 countries that already were contracting parties to the General Agreement participated in the negotiations:

Burma	Federal Republic of Germany	Norway
Canada	Greece	Pakistan
Chile	Indonesia	Peru
Denmark	Italy	Sweden
Dominican Republic	Nicaragua	United States
Finland		Uruguay

As in previous negotiations that the Contracting Parties had sponsored, the participating countries established a tariff negotiations committee at the beginning of the Conference. The committee, comprised of representatives of each of the participating countries, coordinated the tariff negotiations and made decisions on matters connected with the conduct and conclusion of the negotiations that required joint action by the participating countries.

The tariff negotiations for the accession of Japan were of two types: (1) The bilateral negotiations between Japan and each of the 17 contracting parties that participated, and (2) the so-called triangular (or "third country") negotiations between Japan, the United States, and certain other contracting parties.

Most of the tariff concessions that were exchanged in the negotiations were granted in bilateral negotiations between Japan and each of the 17 contracting parties that participated. These negotiations, which were conducted initially on a product-by-product basis between pairs of negotiating teams representing Japan and each of the participating contracting parties, followed the general pattern established at Geneva, Annecy, and Torquay during the period 1947–51. In the final stage of the Conference, the concessions agreed to in the various bilateral negotiations, together with those agreed to in the triangular negotiations, were consolidated (where necessary) into separate schedules of concessions for each participating country.

At Geneva, limited negotiations were also conducted on a triangular basis by Japan, the United States, and each of six contracting parties—Canada, Denmark, Finland, Italy, Norway, and Sweden. Before the Conference, the United States had announced its willingness to participate in such negotiations if they would result in expanded concessions to Japan by third countries. These so-called triangular negotiations were under-

[3] Certain of the negotiations were held at locations other than Geneva. The negotiations between Japan and Burma were conducted at Rangoon, and those between Japan and Greece, at Athens. When these negotiations were completed, the results were reported to the Executive Secretary of the Contracting Parties.

taken after Japan and each of the six countries had completed their bilateral negotiations. In return for additional concessions that each of the six countries granted to Japan, the United States granted concessions to each of them; Japan, in turn, granted additional concessions to the United States to compensate the United States for its concessions to the six countries mentioned.

The results of the negotiations at Geneva for the accession of Japan are embodied in two instruments: (1) A Decision agreeing to the accession of Japan, and (2) the Protocol of Terms of Accession of Japan to the General Agreement.

Accession by a country to the General Agreement requires approval by a two-thirds majority of the countries that already are contracting parties. On June 7, 1955, at the close of the tariff negotiations, the contracting parties were asked to vote, by postal ballot, on the Decision agreeing to the accession of Japan. If by August 11, 1955, the necessary two-thirds voted in favor of Japan's accession and if Japan signed the Protocol of Accession by that date, Japan would become a contracting party on September 10, 1955. Japan signed the Protocol of Accession on June 7, 1955.[4]

Article XXXIII of the General Agreement provides that new countries may become contracting parties to the agreement on terms to be agreed upon by the Contracting Parties. The Protocol of Accession contains the terms of accession for Japan and the terms on which the schedules of tariff concessions annexed to it will be made effective. Like all other contracting parties, Japan—upon its accession to the General Agreement—will apply the general provisions of the agreement provisionally. Japan must give full effect to part I (including the schedules of tariff concessions) and part III, but is required to apply part II only to the fullest extent not inconsistent with Japanese legislation existing on June 7, 1955, the date of the protocol. As long as Japan applies the agreement provisionally, it may withdraw from the agreement by giving 60 days' notice to the Executive Secretary. The provisions of the General Agreement that will be applied by Japan are those of the original agreement as rectified, amended, supplemented, or otherwise modified by protocols or other actions in force on the date Japan signed the Protocol of Accession. In acceding, Japan also agrees to be governed by all instruments relating to the agreement that are open for acceptance when and if they go into effect, except the Protocols of Amendment to the General Agreement and the Agreement on the Organization for Trade Cooperation, which were drawn up at the Ninth Session of the Contracting Parties.

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[4] On September 10, 1955, the Executive Secretary of the Contracting Parties announced that all contracting parties had voted in favor of Japan's accession. Japan, therefore, became a contracting party to the General Agreement on that date.

Under the terms of the Protocol of Accession, Japan is entitled in its own right not only to all concessions granted by other countries in the negotiations for its accession, but also to all concessions already contained in the schedules to the General Agreement, except those in the schedules of contracting parties that invoke the provisions of article XXXV. Under that article, contracting parties that did not enter into tariff negotiations with Japan are free not to apply to Japan any part of the General Agreement, including their schedules of tariff concessions, if they so indicate at the time Japan becomes a contracting party.[5]

Negotiations under article XXVIII

At the same time that the negotiations for the accession of Japan to the General Agreement were in progress, a number of contracting parties were conducting renegotiations among themselves, under the provisions of article XXVIII of the General Agreement, of various tariff concessions that they had granted at Geneva in 1947, at Annecy in 1949, or at Torquay in 1950–51.

Article XXVIII of the General Agreement, as amended, provided that contracting parties might, after June 30, 1955,[6] modify or terminate any tariff concession that they had granted, without joint action by the Contracting Parties. A contracting party desiring to do so, however, was first required to negotiate with the contracting party with which the concession was initially negotiated, and to consult with other contracting parties that had a substantial interest in the concession. In such renegotiations, provision might be made for compensatory concessions with respect to other products. If, in the renegotiations, agreement could not be reached between the parties concerned, the concession in question might nevertheless be withdrawn or modified. However, the country with which the concession was initially negotiated, and the countries that had a substantial interest in it, might thereupon themselves withdraw concessions substantially equivalent to those that were withdrawn from them.

During the review of the General Agreement at their Ninth Session, the Contracting Parties 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. Under the provisions of article XXVIII and the procedure established by the Contracting Parties at their Ninth Ses-

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[5] Fourteen contracting parties that had not negotiated with Japan at Geneva in 1955 gave formal notice, as permitted by article XXXV, that the provisions of the General Agreement would not apply as between themselves and Japan. The 14 contracting parties that invoked article XXXV were Australia, Austria, Belgium, Brazil, Cuba, France, Haiti, India, Luxembourg, the Netherlands, New Zealand, the Federation of Rhodesia and Nyasaland, the Union of South Africa, and the United Kingdom.

[6] The date originally was January 1, 1951, but it was extended several times.

sion, however, individual contracting parties were permitted—before agreeing to the amendment of article XXVIII—to renegotiate individual tariff concessions that they had previously granted. Countries were required to notify the Contracting Parties of their intention to undertake such renegotiations by June 30, 1955; the negotiations were to be completed by September 30, 1955.

By June 30, 1955, a number of countries had notified the Contracting Parties that they intended to withdraw or modify—under the provisions of article XXVIII—certain concessions that they had granted in the General Agreement. These countries included Austria, Belgium, Canada, Cuba, the Dominican Republic, Finland, France, India, Italy, the Netherlands, Nicaragua, Pakistan, Peru, Sweden, and the Union of South Africa. The notifications by all of these countries related—at least in part—to concessions that they had initially negotiated with the United States or to concessions in which the United States had a substantial trade interest.

By June 30, 1955, the end of the period covered by this report, two of the countries that initiated action under article XXVIII at Geneva—Belgium (for the Belgian Congo and Ruanda-Urundi) and Canada—had completed their renegotiations. Belgium modified its concessions on three items, and Canada, on two items. In return, each country granted compensatory concessions on other articles, as envisaged in article XXVIII, to offset the loss of benefits both by the country to which the concessions originally had been granted and by other countries that had a substantial interest in them.[7]

United States Participation in the Negotiations

Preparations for the negotiations

The United States carried out its preparations for participation in the tariff negotiations at Geneva under the procedures specified in the Trade Agreements Act of 1934, as amended, and in Executive Order 10082.

On November 13, 1954, in accordance with these procedures, the Interdepartmental Committee on Trade Agreements issued formal notice of the United States intention to participate in trade-agreement negotiations looking toward the accession of Japan to the General Agreement. The Committee announced that, besides direct negotiations with Japan, the United States was considering limited negotiations with other contracting parties that were negotiating with Japan (the triangular negotiations). The Trade Agreements Committee also gave notice of the United States intention to engage in negotiations designed to settle four problems that had arisen from the following actions by the United States: (1) The enactment of Public Law 479, 83d Congress, which provided, in effect,

[7] See the following section of this chapter on negotiations by the United States.

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for increased duties on certain footwear; (2) the enactment of Public Law 689, 83d Congress, which provided for increased duties on certain fish sticks, fillets, and related products; (3) the United States escape-clause action on dried figs; and (4) the failure of the United States to place in effect concessions on certain meat products that it had granted to Uruguay at Annecy.

In an annex to its public notice, the Trade Agreements Committee listed the imported commodities that the United States would be prepared to consider for concessions in the negotiations. On February 21, 1955, in a supplemental public notice, the Committee listed additional commodities that it would be prepared to consider for concessions. The list of November 13, 1954, involved 168 tariff paragraphs or subparagraphs, and covered approximately 600 statistical classifications of imports, or parts thereof. The list of February 21, 1955, involved 28 tariff paragraphs or subparagraphs, and covered approximately 50 statistical classifications of imports, or parts thereof.

At the same times that the above-mentioned public notices were issued, the Committee for Reciprocity Information (CRI)[8] issued notices of two public hearings to be held by that Committee beginning on December 13, 1954, and on March 28, 1955. The CRI hearings were held to receive oral statements from interested persons on all phases of the proposed negotiations, including tariff concessions that might be granted by the United States and concessions that might be sought by the United States. The two public hearings were held, respectively, from December 13 through 23, 1954, and from March 28 through April 1, 1955.

As required by section 3 (the "peril point" provision) of the Trade Agreements Extension Act of 1951, as amended, the President on November 13, 1954, transmitted to the Tariff Commission the list of imported articles that had been published by the Trade Agreements Committee on that date, and requested the Commission to conduct the required peril-point investigation. The Commission instituted its investigation on the same day. On February 21, 1955, the President transmitted to the Commission the supplemental list of articles published by the Trade Agreements Committee on that date, and requested the Commission to conduct the required peril-point investigation. The Commission instituted its peril-point investigation on the supplemental list on the same day. From December 13 through December 23, 1954, and again from March 28 through April 1, 1955, the Commission held public hearings, as required by law, to afford interested parties an opportunity to present their views with regard to the listed items. On February 17, 1955, the

[8] The primary functions of the Committee for Reciprocity Information, which was created by Executive order in 1934, are (1) to provide an opportunity for all interested parties to present their views on proposed trade agreements, and (2) to bring those views to the attention of the Trade Agreements Committee.

Commission submitted to the President its report on the original list, and on April 8, 1955, it submitted to him its report on the supplemental list.

In preparing for the negotiations with Japan and other countries, the United States interdepartmental trade agreements organization followed its usual procedures.[9] As required by Executive Order 10082, and at the request of the Trade Agreements Committee, the Tariff Commission submitted tariff, trade, and other data on articles imported into the United States from Japan and from those contracting parties to the General Agreement with which the United States proposed to negotiate. The Department of Commerce submitted corresponding information on products exported from the United States to Japan. On the basis of these and other data, including written and oral information presented to the Committee for Reciprocity Information, the Trade Agreements Committee made its recommendations to the President as to the concessions that the United States should offer and those that it should request in the negotiations. The negotiations began at Geneva on the basis of the proposals of the Trade Agreements Committee that were approved by the President.

Concessions granted by the United States

In 1953, total imports into the United States from Japan were valued at 259.8 million dollars. Imports from Japan of products on which the United States granted concessions to Japan at Geneva in 1955 amounted to 122.7 million dollars in 1953, or 47 percent of total United States imports from Japan in that year (see table 1).

Reductions in rates of duty that the United States granted to Japan apply to imports from Japan valued at 53.2 million dollars in 1953—43 percent of total imports of concession items. As measured by United States imports from Japan in 1953, reductions of less than 25 percent accounted for 52 percent of all reductions in duties that the United States granted to Japan; reductions of 25 to 35 percent accounted for 15 percent; and reductions of more than 35 percent, for 33 percent.

Imports from Japan of products on which the United States bound the existing rates of duty against increase were valued at 33.2 million dollars in 1953—27 percent of total imports of concession items. United States concessions that involved the binding of duty-free entry apply to imports from Japan in 1953 that were valued at 36.3 million dollars—30 percent of total imports of concession items.

One concession that the United States granted to Japan involved an increase, in part, in the rate of duty applicable to plain china artware, not containing 25 percent or more of calcined bone (paragraph 212). The

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[9] For a detailed discussion of the procedures followed by the trade agreements organization in preparing for trade-agreement negotiations, and participating in them, see *Operation of the Trade Agreements Program* (fourth report), ch. 4.

existing rate of duty on those products was 40 cents per dozen separate pieces, but not less than 40 percent ad valorem nor more than 60 percent ad valorem. At Geneva the United States agreed with Japan on a rate of duty of 45 percent ad valorem for these products. The United States concession to Japan, therefore, resulted in an increased duty on the china artware involved that was dutiable at the minimum rate of 40 percent ad valorem and on a small portion of the artware that was dutiable at the specific rate. United States imports from Japan of the china artware of the kinds that will be subject to such increased duties were valued at about $33,000 in 1953—less than one-tenth of one percent of total United States imports from Japan of concession items, and less than one percent of imports of china artware on which the United States granted concessions.

Most of the concessions that the United States granted in the 1955 negotiations at Geneva were initially negotiated with Japan. A limited number of concessions, however, were initially negotiated with six other contracting parties to the General Agreement in the triangular negotiations between each of those countries, Japan, and the United States. The six contracting parties were Canada, Denmark, Finland, Italy, Norway, and Sweden. United States imports (from the country of initial negotiation) of products on which it granted concessions to the six countries were valued at 1.2 million dollars in 1953—about 1 percent of imports of all items on which the United States granted concessions in the negotiations for the accession of Japan (see table 1). All the concessions involved reductions in duty.

The concessions that the United States granted to Japan and the six countries mentioned above apply to a wide variety of products. In terms of the amount of trade involved, the more important items on which the United States granted reductions in duty were natural and synthetic menthol; certain earthenware and chinaware; certain prism binoculars; miniature Christmas-tree bulbs; manufactures of rattan, bamboo, osier, or willow, n. s. p. f.; porch and window blinds, chair seats, curtains, shades, or screens of bamboo, straw, etc.; certain countable cotton cloth; cotton table damask and manufactures thereof; certain cotton gloves and mittens; silk woven fabrics; hanging paper, printed, lithographed, dyed, or colored; artificial flowers, fruits, etc., of yarns, threads, and other materials (except feathers); pearls, not set or strung; certain manufactures of rubber and guttapercha; and frog legs and whole frogs. The major products on which the United States bound the existing rates of duty were sewing machines, n. s. p. f., valued over $10 but not over $75 each; fresh or frozen swordfish fillets; canned tuna in brine; [10] and prepared or preserved

[10] The binding of the 12½-percent rate of duty on imports of canned tuna in brine applies only to imports in any calendar year equal, in quantity, to 20 percent of the United States pack of tuna in the immediately preceding calendar year, as reported by the United States Fish and Wildlife Service.

crabmeat. The more important commodities on which the United States bound the existing duty-free treatment were fresh or frozen albacore (tuna fish), silk waste, n. s. p. f., and raw silk.[11]

TABLE 1.—*United States imports for consumption: Total imports from Japan, and imports of commodities on which the United States granted concessions at Geneva (1955) from the country with which each concession was initially negotiated, by kind of commitment, 1953 and 1954*[1]

[In thousands of dollars]

Item	Items initially negotiated with Japan	Items initially negotiated with other countries	Total, all concession items
	1953		
Total United States imports from Japan	259,752	------------	------------
Total, concession items	122,688	1,193	123,881
Reduction of duty	53,184	1,193	54,377
Less than 25 percent	27,521	488	28,009
25 percent to 35 percent	8,128	50	8,178
More than 35 percent	17,535	655	18,190
Binding of duty against increase	33,171	------------	33,171
Binding of duty-free status	36,300	------------	36,300
Other commitments	33	------------	33
	1954		
Total United States imports from Japan	276,019	------------	------------
Total, concession items	131,917	985	132,902
Reduction of duty	59,349	985	60,334
Less than 25 percent	29,243	405	29,648
25 percent to 35 percent	14,231	40	14,271
More than 35 percent	15,875	540	16,415
Binding of duty against increase	32,474	------------	32,474
Binding of duty-free status	40,059	------------	40,059
Other commitments	35	------------	35

[1] Estimated in part. All data are preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

[11] For a complete list of the concessions that the United States granted to Japan and other countries, see U. S. Department of State, *General Agreement on Tariffs and Trade: Analysis of Protocol (Including Schedules) for Accession of Japan . . .*, Pub. 5881 (Commercial Pol. Ser. 150), 1955, pp. 79–111.

Concessions obtained by the United States

In 1953 total imports into Japan from the United States were valued at 759.7 million dollars.[12] In that year, Japan's imports from the United States of products on which Japan granted concessions to the United States at Geneva were valued at 396.6 million dollars—52 percent of the total value of Japanese imports from the United States (see table 2).

The commitments that the United States obtained from Japan consist chiefly of bindings of existing statutory duties and bindings of duty-free entry. Concessions that involve the binding of existing duties apply to imports into Japan from the United States valued at 139.8 million dollars in 1953—35 percent of total imports of concession items. Imports from the United States of products on which Japan bound the existing duty-free entry amounted to 194.7 million dollars in 1953—49 percent of total imports of concession items; of this group, Japanese imports of raw cotton from the United States amounted to 122 million dollars, or 63 percent of imports of items on which Japan bound the duty-free treatment.

Reductions in duty that Japan granted to the United States apply to imports into Japan valued at 61.4 million dollars in 1953—16 percent of total imports of concession items. As measured by Japanese imports of the items involved from the United States in 1953 (see table 2), reductions of less than 25 percent in existing statutory rates accounted for 59 percent of all reductions in duties that Japan granted to the United States; reductions of 25 to 35 percent accounted for 31 percent; and reductions of more than 35 percent, for 10 percent.

Other commitments that the United States obtained from Japan apply to imports into Japan valued at $798,000 in 1953, or less than one-half of one percent of total imports of concession items. These commitments apply to exposed 35 millimeter motion-picture film. The concession that Japan granted to the United States on such film provides for a specific rate of duty—30 yen per meter—whereas the existing rate was 30 percent ad valorem. The average ad valorem equivalent of the specific rate provided for in the agreement is estimated to be higher than the existing ad valorem duty. The change to a specific rate, however, is expected to obviate many difficulties involved in determining the dutiable value of exposed motion-picture film.

Most of the concessions that the United States obtained from Japan were granted by the latter country in return for concessions that the United States granted to Japan. A few of the Japanese concessions to the United States, however, were granted in the triangular negotiations between Japan, the United States, and certain third countries. Those concessions were obtained by the United States as compensation for concessions that it granted to Canada, Denmark, Finland, Italy, Norway,

[12] The data on Japan's imports from the United States include imports from Alaska, Hawaii, and Puerto Rico.

and Sweden. These six countries, in turn, granted concessions to Japan in the negotiations. Imports into Japan from the United States of products on which Japan granted the United States concessions in the triangular negotiations were valued at 1.2 million dollars in 1953—less than one-half of one percent of imports of all concession items (see table 2). Most of the concessions involved either reductions in duty or bindings of existing statutory rates against increase. Reductions in duty, most of which were reductions of from 25 to 35 percent from the existing rates, apply to imports into Japan from the United States valued at $538,000 in 1953 (47 percent of total Japanese imports of items on which it granted concessions in triangular negotiations); concessions binding existing duties against increase apply to imports valued at $550,000 (48 percent); and concessions binding duty-free entry apply to imports valued at $62,000 (5 percent).

TABLE 2.—*Imports from the United States into Japan: Total, and imports of items on which Japan granted concessions to the United States at Geneva, by kind of commitment, 1953* [1]

[In thousands of dollars]

Item	Bilateral negotiations	Triangular negotiations	Total concessions
Total imports from the United States into Japan			759, 720
Total, concession items	395, 480	1, 150	396, 630
Reduction of duty	60, 849	538	61, 387
Less than 25 percent	35, 954	26	35, 980
25 to 35 percent	18, 450	512	18, 962
More than 35 percent	6, 445		6, 445
Binding of duty against increase	139, 222	550	139, 772
Binding of duty-free status	194, 611	62	194, 673
Other commitments	798		798

[1] Estimated in part.

Source: Compiled from official import statistics of Japan.

The concessions that the United States obtained from Japan apply to a wide variety of agricultural and manufactured products. In terms of the amount of trade involved, the more important items on which Japan bound the existing statutory rates of duty were maize (corn) for feed; soybeans; beef tallow; evaporated or condensed whole milk; rosin; certain antibiotics; carbon black; certain wool dresses, suits, and overcoats; petroleum coke; certain steel plates and sheets; certain television receivers; certain trucks; chassis for jeeps; certain airplanes and parts;

bookkeeping and accounting machines; and metalworking and grinding machines. The major products on which Japan bound the existing duty-free treatment include raw cotton; bituminous coal; synthetic rubber; printed books and pamphlets; and magnesia clinker. The more important commodities on which Japan granted reductions in duty were bourbon and rye whiskies; canned tomato paste and puree; lubricating oils and greases; tetraethyl lead; vitamins and vitamin preparations; aureomycin; certain measuring and testing instruments; certain television receivers; automotive passenger cars; certain airplanes; certain industrial sewing machines; and machines for statistical card systems.[13]

Negotiations under article XXVIII

Although the United States did not initiate any negotiations under article XXVIII at Geneva in 1955, it did participate in the article XXVIII negotiations that other countries initiated to modify or withdraw tariff concessions that they had previously granted. These countries included Austria, Belgium, Canada, Cuba, the Dominican Republic, Finland, France, India, Italy, the Netherlands, Nicaragua, Pakistan, Peru, Sweden, and the Union of South Africa. By June 30, 1955, two of the negotiations under article XXVIII—those involving Belgium (for the Belgian Congo and Ruanda-Urundi) and Canada—had been completed.

Belgium.—Under article XXVIII of the General Agreement, Belgium, on behalf of the Belgian Congo and Ruanda-Urundi, modified the concessions it had previously granted on three items—sugar confectionery, not containing cocoa; enamel colors and paints; and fancy jewelry. Belgium had initially negotiated the concessions on these items with countries other than the United States, but the United States was the principal supplier of the first two items in 1954. Imports into the Belgian Congo and Ruanda-Urundi from the United States of the three items on which Belgium increased the rates of duty were valued at about $348,000 in the first 11 months of 1954.

As compensation for the increases in duty, Belgium granted compensatory concessions to the United States on certain artificial resins and plastic materials, certain plastic packagings, and fruit and vegetable juices (except grenadilla, guave, pineapple, and lime). Imports of these items into the Belgian Congo and Ruanda-Urundi from the United States were valued at $366,000 in the first 11 months of 1954. Belgium also granted compensatory concessions to other countries on pilchards, dentifrices, certain detergents and emulsifiers, plastic rondelles, iron and steel rails, condensation and polycondensation products, and fruit juices other than those on which it granted a concession to the United States. United States trade interest in those items was small in 1954. All the compensa-

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[13] For a detailed account of the concessions that the United States obtained from Japan, see U. S. Department of State, *GATT: Analysis of Protocol for Accession of Japan*, pp. 5–50.

tory concessions that Belgium granted were bindings of existing rates of duty.

Canada.—Under article XXVIII of the General Agreement, Canada modified its concessions on canned mixed fruits containing peaches, apricots, or pears; and ethylene glycol for use in the manufacture of anti-freezing compounds. Both of these concessions had been initially negotiated with the United States. Canadian imports of these products from the United States were valued at 4.8 million dollars in 1954.

The compensation that Canada granted to the United States was negotiated as part of a "package" settlement that involved both Canada's article XXVIII actions and the United States renegotiation of its concession on certain fish sticks.[14] Within the "package" settlement, Canada granted the United States concessions on melons, not otherwise specified; canned peaches; air-cooled internal combustion engines of not greater than 1½ horsepower, when for use on power lawn mowers; electric dental engines; dental chairs and dental units; and antifreezing compounds with ethylene glycol base. Canadian imports of these products from the United States were valued at about 4.2 million dollars in 1954.

Renegotiations by the United States

The notice of United States intention to undertake trade-agreement negotiations that the Interdepartmental Committee on Trade Agreements issued on November 13, 1954, included an announcement that the United States intended to conduct four renegotiations made necessary by various United States actions. Two of the proposed renegotiations related to modifications of United States trade-agreement obligations that were made necessary by the passage of Public Law 689, 83d Congress (relating to certain fish sticks, fillets, and similar products), and the passage of Public Law 479, 83d Congress (relating to certain footwear). The third renegotiation related to the United States escape-clause action with respect to dried figs. The fourth renegotiation related to concessions that the United States had granted to Uruguay on certain meat products at Annecy in 1949. Because of the long delay by Uruguay in acceding to the General Agreement and because of the serious plight of the United States cattle and beef industry at the time Uruguay finally acceded to the General Agreement in December 1953, the United States did not place in effect the concessions that it had granted to Uruguay on canned beef, pickled and cured beef and veal, and meat extract.

At Geneva, the United States completed the first three renegotiations, but did not take action on the fourth. The results of the completed renegotiations are summarized below.

Fish sticks.—Public Law 689, 83d Congress, provided for a rate of duty, under paragraph 720, on breaded fish sticks, fillets, and similar

[14] See the following section of this report.

products not containing added oil, of 20 percent ad valorem if uncooked and 30 percent ad valorem if cooked in any degree. These rates of duty were to become effective as soon as practicable after the completion of negotiations to modify the applicable obligations of the United States under its international agreements. The rate of duty that had been applicable to such products, which was bound against increase in the General Agreement, was 1 cent per pound if in bulk or in containers weighing over 15 pounds each, and 12½ percent ad valorem if in containers weighing not over 15 pounds each.

In August 1954, the Contracting Parties authorized the United States to renegotiate its tariff concessions relating to the products affected by Public Law 689, under the "sympathetic consideration" procedures of the General Agreement (art. XXII). The United Kingdom and Canada asked to be parties to the renegotiation. As a result of the renegotiation, the United States modified its concession relating to the fish products covered by Public Law 689 so as to conform with that legislation. The United Kingdom agreed that, in view of the indirect benefits that it would derive from United States concessions to Japan, it would not seek direct compensatory concessions from the United States. The compensatory concessions that the United States granted to Canada were negotiated as part of a "package" settlement involving both Canada's article XXVIII actions and the United States renegotiation of its concession on fish sticks. Within the "package" settlement, the United States granted to Canada a reduction in the duty on certain pickled and salted herring, and a binding of the existing duty on fresh or frozen crabmeat. In 1954, United States imports of these products from Canada were valued at 1.3 million dollars.

Certain footwear.—Public Law 479, 83d Congress, provided that any footwear of which a major portion, in area, of the wearing surface of the outer sole is composed of rubber shall be regarded as having soles wholly or in chief value of rubber for the purpose of paragraph 1530 (e). The law became effective in January 1955.

At the time Public Law 479 was under consideration by the Congress, footwear with fabric uppers and soles wholly or in chief value of rubber were dutiable at 35 percent ad valorem, based on the American selling price. Beginning in 1953, imports of certain "rubber-soled" tennis shoes or sneakers that had a leather filler or midsole between the inner and outer soles entered the United States. Because the leather midsole was of greater value than the rubber in the sole, imports of those shoes were dutiable as footwear with soles wholly or in chief value of leather (20 percent ad valorem), thus avoiding the higher duty applicable to footwear with soles wholly or in chief value of rubber. The purpose of the legislation was to require that all shoes with fabric uppers and outer soles of rubber, even though the sole might be in chief value of leather,

would be dutiable as footwear with soles wholly or in chief value of rubber. The provisions of Public Law 479 were in conflict with a concession that the United States granted in the General Agreement on leather-soled shoes with fabric uppers. In August 1954, at the request of the United States, the Contracting Parties authorized the United States to renegotiate its tariff concession relating to the products affected by Public Law 479, under the "sympathetic consideration" procedures of the General Agreement. The Netherlands and the United Kingdom asked to be parties to the renegotiation.

As a result of the renegotiation, the United States modified its trade-agreement obligations to conform with the provisions of Public Law 479. The United Kingdom agreed that, in view of the indirect benefits that it would derive from United States concessions to Japan, it would not seek direct compensatory concessions from the United States. The United States granted the Netherlands compensatory concessions on poultry eggs (except chicken eggs) in the shell and cotton fish nets and nettings. The concession on the latter items was the same as that granted to Japan in the trade-agreement negotiations with that country. In 1954, United States imports of these products from the Netherlands were valued at about $64,000.

Dried figs.—As the result of an escape-clause investigation, the United States in August 1952 modified its concession on dried figs and placed in effect a duty of 4½ cents per pound. Pursuant to the concession that the United States had granted in the General Agreement, the duty on dried figs had been reduced to 2½ cents per pound. The countries primarily affected by the escape action were Turkey and Greece.

The United States action on dried figs was discussed in 1952 at the Seventh Session of the Contracting Parties. At that time, the Turkish Government decided to increase, provisionally, certain of its rates of duty on imports from the United States, in retaliation for the United States escape action on dried figs. At the Seventh Session, the United States and Greece and the United States and Italy also initiated discussions of the matter.

In November 1954, at the Ninth Session of the Contracting Parties, the United States reported that it probably could not restore the concession on dried figs in the immediate future, and that it would undertake to negotiate compensatory concessions with the countries concerned. In those negotiations, which were completed during the course of the Geneva Conference in 1955, the United States made no concessions affecting its import duties. The United States agreed, however, to retaliatory action by Turkey and Greece, as follows: The increased import duties that Turkey had previously imposed on a provisional basis would remain in effect, and the Greek tariff rates would be increased on patent leather and calf, kip, sheep, and goat skins. The United States also

informed Italy, which had requested the United States to consider granting a concession on glass mosaics, that it would benefit from a concession the United States had granted to Japan on that item.

NEGOTIATIONS BETWEEN THE UNITED STATES AND SWITZERLAND

Character and Scope of the Negotiations

On July 27, 1954, the United States increased its import duties on certain watches and watch movements under the escape-clause provision of the 1936 bilateral trade agreement between Switzerland and the United States. The escape-clause provision of that trade agreement provides that the country taking escape action shall consult with the other country regarding compensatory concessions that would, to the extent practicable, maintain the general level of reciprocal and mutually advantageous concessions in the agreement. After the United States escape action, Switzerland requested such consultations.

On February 21, 1955, in accordance with United States trade-agreement procedures, the Interdepartmental Committee on Trade Agreements issued formal notice of United States intention to undertake trade-agreement negotiations with Switzerland to compensate that country for the increased United States duties on certain watches and watch movements. In an annex to its public notice, the Trade Agreements Committee listed the imported commodities that the United States proposed to consider for concessions in the negotiations. The list involved 11 tariff paragraphs or subparagraphs, each of which included one or more commodities, and covered approximately 70 statistical classifications, or parts thereof.

At the same time that the above-mentioned public notice was issued, the Committee for Reciprocity Information (CRI) issued notice of a public hearing to be held by that Committee beginning on March 28, 1955. The CRI hearing was held to receive oral statements from interested persons on the possible tariff concessions that might be granted by the United States, and any other matters that might appropriately be considered in the negotiations. The public hearing, which was held from March 28 through April 1, was conducted in conjunction with similar hearings relating to the supplemental public notice of negotiations involving Japan.

As required by section 3 (the peril-point provision) of the Trade Agreements Extension Act of 1951, the President on February 21, 1955, transmitted to the Tariff Commission the list of imported articles to be considered in the negotiations, and requested the Commission to conduct the required peril-point investigation. The Commission instituted its investigation on the same day. From March 28 through April 1, the Commission held public hearings to give interested parties an opportunity

to present their views on the concessions that might be granted by the United States. The Commission submitted its peril-point report to the President on April 13, 1955.

In preparing for the negotiations with Switzerland, the United States interdepartmental trade agreements organization followed its usual procedures. At the request of the Trade Agreements Committee, the Tariff Commission submitted tariff, trade, and other data on articles imported into the United States from Switzerland. On the basis of these and other data, including information presented to the Committee for Reciprocity Information, the Trade Agreements Committee made its recommendations to the President as to the compensatory concessions that should be offered to Switzerland in the negotiations. The United States entered into negotiations with Switzerland, on the basis of the recommendations of the Trade Agreements Committee that were approved by the President.

Negotiations between the United States and Switzerland began at Geneva on April 28, 1955. The supplementary bilateral trade agreement between the two countries was signed on June 8. On June 25, the President signed a proclamation placing into effect, as of July 11, 1955, the compensatory concessions to Switzerland that the United States granted.

During the course of the negotiations, the United States and Switzerland also discussed possible modifications of Switzerland's trade-agreement concessions to the United States. These discussions related particularly to modifications that might be necessary as a result of the projected revision of the Swiss tariff. No modifications in Switzerland's concessions to the United States were made in the negotiations. In a separate exchange of notes, however, the United States and Switzerland agreed that each country would be prepared, upon request of the other, to consult regarding modification of Switzerland's concessions to the United States in the existing bilateral trade agreement.

Compensatory Concessions Granted by the United States

In 1954, total United States imports from Switzerland were valued at 146.3 million dollars. Imports from Switzerland of the watches and watch movements on which the United States imposed increased duties in the escape action were valued at 54.5 million dollars in 1954, or about 37 percent of total United States imports from Switzerland in that year.

United States imports from Switzerland of products on which the United States granted compensatory concessions to Switzerland at Geneva amounted to 8.2 million dollars in 1954, or about 6 percent of total United States imports from Switzerland in that year (see table 3). Except for concessions that bound against increase the existing duties on certain parts of specified clockwork mechanisms (imports of which from Switzerland were nil in 1954), all the concessions that the United States granted

were reductions in rates of duty. Reductions in duty of more than 35 percent apply to imports from Switzerland valued at 6.3 million dollars in 1954—77 percent of total imports of concession items. Reductions in duty of from 25 to 35 percent apply to imports from Switzerland valued at 1.6 million dollars (20 percent), and reductions of less than 25 percent, to imports valued at 0.3 million dollars (3 percent).

In the negotiations at Geneva, the United States granted concessions to Switzerland on eight categories of commodities supplied predominantly by that country: Hat braids, handkerchiefs, embroideries, motion-picture cameras, textile assistants and coal-tar derivatives, clockwork mechanisms, surveying instruments, and knit underwear of cotton or other vegetable fiber.

TABLE 3.—*United States imports for consumption from Switzerland: Total, and imports of commodities on which the United States granted concessions to Switzerland, by kind of commitment, 1954* [1]

[In thousands of dollars]

Item	Foreign value
Total imports from Switzerland	146, 323
Total, concession items	8, 168
Reduction of duty	8, 168
Less than 25 percent	255
25 to 35 percent	1, 596
More than 35 percent	6, 317
Binding of duty against increase	------------
Binding of duty-free treatment	------------

[1] Estimated in part. All data are preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

Chapter 5

Actions of the United States Relating to Its Trade Agreements Program

UNITED STATES TRADE-AGREEMENT OBLIGATIONS

On June 30, 1955, the United States was a party to trade agreements with 42 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 32 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	Cuba [1]	Jan. 1, 1948
Austria	Oct. 19, 1951	Denmark	May 28, 1950
Belgium [1]	Jan. 1, 1948	Dominican Republic	May 19, 1950
Brazil [1]	July 31, 1948	Finland [1]	May 25, 1950
Burma	July 30, 1948	France [1]	Jan. 1, 1948
Canada [1]	Jan. 1, 1948	Germany (Federal Republic)	Oct. 1, 1951
Ceylon	July 30, 1948	Greece	Mar. 9, 1950
Chile	Mar. 16, 1949	Haiti [1]	Jan. 1, 1950

See footnotes at end of table.

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[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*, 1955 (processed).

[2] Four countries had withdrawn from the General Agreement before June 30, 1955—the Republic of China, Lebanon, Liberia, and Syria. Czechoslovakia acceded to the General Agreement at Geneva and is still a contracting party thereto. On September 29, 1951, however, the United States, with the permission of the Contracting Parties, suspended all its obligations to Czechoslovakia under the General Agreement. Subsequently, effective November 2, 1951, the United States suspended the application of trade-agreement concessions to imports from Czechoslovakia.

Country	Date	Country	Date
India	July 9, 1948	Pakistan	July 31, 1948
Indonesia [2]	Mar. 11, 1948	Peru	Oct. 7, 1951
Italy	May 30, 1950	Rhodesia and Nyasaland [3]	July 12, 1948
Luxembourg	Jan. 1, 1948	Sweden [1]	Apr. 30, 1950
Netherlands [1]	Do.	Turkey [1]	Oct. 17, 1951
New Zealand	July 31, 1948	Union of South Africa	June 14, 1948
Nicaragua	May 28, 1950	United Kingdom [1]	Jan. 1, 1948
Norway	July 11, 1948	Uruguay [1]	Dec. 16, 1953

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

[2] The Netherlands negotiated concessions on behalf of the Netherlands Indies (Indonesia) at Geneva in 1947. On February 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.

[3] The Federation of Rhodesia and Nyasaland, composed of Southern Rhodesia, Northern Rhodesia, and Nyasaland, formally came into existence on September 3, 1953. On October 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 10 countries that had trade agreements with the United States but which 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	Iceland	Nov. 19, 1943
Ecuador [1]	Oct. 23, 1938	Iran	June 28, 1944
El Salvador	May 31, 1937	Paraguay	Apr. 9, 1947
Guatemala [2]	June 15, 1936	Switzerland [3]	Feb. 15, 1936
Honduras	Mar. 2, 1936	Venezuela [4]	Dec. 16, 1939

[1] On August 27, 1955, the President issued a proclamation terminating the bilateral trade agreement with Ecuador as of January 18, 1956.

[2] The bilateral trade agreement with Guatemala was terminated by joint agreement on October 15, 1955.

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

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

On June 7, 1955, the United States, 16 other contracting parties to the General Agreement, and Japan concluded multilateral tariff negotiations at Geneva under the General Agreement, for the accession thereto of Japan. The United States signed the Protocol (Including Schedules) for the Accession of Japan on June 8, 1955. At the end of the period

covered by this report the tariff concessions that the United States and Japan granted to each other, as well as the tariff concessions that the United States granted to six other contracting parties that took part in the negotiations, had not yet become effective.[3]

On June 30, 1955, the end of the period covered by this report, one country with which the United States had concluded negotiations for tariff concessions under the General Agreement in 1951 at Torquay—Korea—had not yet signed the pertinent protocol.

During the period covered by this report, 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 tax 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]

WITHDRAWAL OR MODIFICATION OF TRADE-AGREEMENT CONCESSIONS

Watches, Watch Movements, and Parts

On July 27, 1954, the President issued a proclamation modifying the concession on watches, watch movements, and parts that the United States had granted to Switzerland in the 1936 bilateral trade agreement with that country. The concession was modified under the provisions of the escape clause in the bilateral trade agreement with Switzerland, after an escape-clause investigation by the Tariff Commission under the provisions of section 7 of the Trade Agreements Extension Act of 1951, as amended.[5] As a result of the modification, certain of the United States rates of duty on imports of watches and watch movements were increased 50 percent above the rates specified in the trade agreement with Switzerland, but in no case exceeding the rates of duty originally imposed on imports of the specified articles by the Tariff Act of 1930.

[3] Concessions that the United States granted to Japan at Geneva became effective on September 10, 1955. For a discussion of the tariff negotiations for the accession of Japan, see ch. 4 of this report.

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

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

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On June 8, 1955, at Geneva, the United States and Switzerland concluded a supplementary bilateral trade agreement providing for additional tariff concessions by the United States to compensate Switzerland for the increase in the United States rates of duty on watches, mentioned above. At the end of the period covered by this report these compensatory concessions had not yet become effective.[6]

Certain Footwear, Fish Sticks

Public Law 479, 83d Congress, provided, in effect, for increased duties on imports of certain footwear, and Public Law 689, 83d Congress, provided for increased duties on imports of certain specified fish sticks, fillets, and similar products. Concessions on these products had been granted by the United States in the General Agreement on Tariffs and Trade at Geneva in 1947. Because the changes prescribed by law in the duties on these products conflicted with the trade-agreement obligations of the United States, the United States in August 1954 sought and obtained permission from the Contracting Parties to renegotiate the concessions on these products with the countries concerned.

At Geneva, in 1955, the United States renegotiated the concession on certain footwear with the Netherlands and the United Kingdom, and the concession on fish sticks with the United Kingdom and Canada. As a result of these renegotiations, the United States modified the concessions on certain footwear and fish sticks to conform with the provisions of the laws mentioned above, and granted compensatory concessions to certain of the countries involved.[7]

The increased duty on certain specified fish sticks, fillets, and similar products not containing added oil—20 percent ad valorem if not cooked and 30 percent ad valorem if cooked to any degree—became effective on July 24, 1955. The duty applicable under the General Agreement was 1 cent per pound if in bulk or in containers weighing over 15 pounds each, and 12½ percent ad valorem if in containers weighing not over 15 pounds each. The increased duty on the specified footwear—35 percent ad valorem, based on the American selling price—became effective on January 4, 1955. The duty on the specified footwear under the General Agreement had been 20 percent ad valorem. Pursuant to the trade-agreement negotiations with Japan at Geneva in 1955, however, the rate of duty on all rubber-soled footwear with fabric uppers (including the specified footwear mentioned above) was subsequently reduced to 20 percent ad valorem, based on the American selling price.

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[6] The supplementary bilateral trade agreement with Switzerland became effective July 11, 1955. For a discussion of the agreement, see ch. 4 of this report.

[7] For a detailed discussion of these renegotiations, see the section on renegotiations by the United States in ch. 4 of this report. The compensatory concessions became effective on July 24, 1955.

ACTIVITIES UNDER THE PERIL-POINT PROVISION

Sections 3 and 4 of the Trade Agreements Extension Act of 1951 set forth the statutory requirements regarding the so-called peril-point determinations in connection with proposed trade agreements negotiations. The peril-point provisions of the 1951 act 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, including the holding of 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 restriction 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 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 recommendation. 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 the period covered by this report, the Tariff Commission conducted three peril-point investigations. On November 13, 1954, the Commission instituted a peril-point investigation of the articles contained in the President's list of the same date; these articles comprised those that were to be considered for possible concessions in the tariff negotiations, under the General Agreement, with Japan and other countries at Geneva, beginning February 21, 1955. A public hearing was held from December 13 to 23, 1954. The Commission submitted its report to the President on February 17, 1955.

On February 21, 1955, the Commission instituted two peril-point investigations of the articles contained in the President's two lists of the same date. The first of these lists comprised additional articles that were to be considered for possible concessions in the tariff negotiations, under the General Agreement, with Japan and other countries at Geneva. The second list comprised articles that were to be considered for possible concessions in tariff negotiations with Switzerland at Geneva; these nego-

tiations were for the purpose of compensating Switzerland for the increase in the United States rates of duty on certain watches and watch movements. A public hearing in connection with both investigations was held from March 28 to April 1, 1955. The Commission transmitted its reports on the two investigations to the President on April 8 and April 13, 1955, respectively.

ACTIVITIES UNDER THE ESCAPE CLAUSE OF TRADE AGREEMENTS

Since 1943 all trade agreements concluded by the United States have contained a safeguarding clause, commonly known as the standard escape clause. This clause provides, in essence, that either party to the agreement may withdraw or modify any concession made therein if, as a result of the concession, imports of the particular commodity enter in such increased quantities, either actual or relative, 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. That 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. Section 6 (b) of the act directs the President to report to the Congress at specified intervals on the action he has taken to include escape clauses in existing trade agreements.

During the period covered by this report, the procedure for administering the escape clause was prescribed by section 7 of the Trade Agreements Extension Act of 1951, as amended, and by Executive Order 10401.

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 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 pro-

ducing like or directly competitive products. The Commission must complete its investigation and make a report thereon within 9 months of the date the application is received. As a part of each investigation, the Commission usually 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 such hearing to be held whenever the Commission 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 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 the 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. During most of the period covered by this report, the Commission was required to transmit to the Senate Committee on Finance and to the House Committee on Ways and Means an exact copy of its report and recommendations to the President within 60 days after the report was transmitted to the President, or sooner if the President gave effect to its recommendations. The Trade Agreements Extension Act of 1955, which was approved June 21, 1955, requires the Commission to make public immediately its findings and recommendations to the President, including any dissenting or separate findings and recommendations, and to 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,[8] directs the Commission to 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.

Reports by the President on Inclusion of Escape Clauses in Trade Agreements

As required by section 6 (b) of the Trade Agreements Extension Act of 1951, the President on July 8, 1954, and again on January 10, 1955,

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

submitted to the Congress a report on the inclusion of escape clauses in trade agreements.

In his reports, the President stated that escape clauses conforming to the policy set forth in section 6 (a) of the extension act of 1951 were included in all trade agreements in force under the act, except those with Ecuador, El Salvador, Guatemala, and Honduras. The President reported that the United States had informed Ecuador that it would be necessary to amend the trade agreement with that country to include an escape clause, and that discussions between the United States and Ecuador regarding the trade agreement were still in progress. The President reported further that, for reasons given in his earlier reports, no action had been taken to insert escape clauses in the trade agreements with El Salvador, Guatemala, and Honduras.[9]

Applications for Investigations

On July 1, 1954, 10 escape-clause investigations were pending before the Tariff Commission. During the ensuing 12 months, the Commission instituted 4 additional investigations.[10] Of the total of 14 escape-clause investigations that were pending before the Commission at one time or another during the period covered by this report, the Commission, as of June 30, 1955, had completed 13 investigations; [11] the remaining investigation was in process. The nature and status of the individual escape-clause investigations that were pending before the Commission at one time or another during the period July 1, 1954, to June 30, 1955, are shown in the following compilation.[12]

[9] See U. S. Congress, *Message from the President of the United States Transmitting Report on the Inclusion of Escape Clauses in Existing Trade Agreements* . . ., H. Doc. 42, 83d Cong., 1st sess., 1953.

[10] Between April 20, 1948, when the first application for an escape-clause investigation was made, and June 30, 1955, the Tariff Commission received a total of 60 applications.

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

[12] This tabulation shows the status of only those escape-clause investigations that were pending before the Commission at one time or another during the period covered by this report. Lists of applications received before the period covered by this report, and their status on various dates, are given in earlier reports on the operation of the trade agreements program. For a résumé of the status of all escape-clause applications filed with the Commission between April 20, 1948, and August 1, 1955, see U. S. Tariff Commission, *Investigations Under the "Escape Clause" of Trade Agreements: Outcome or Current Status of Applications Filed with the United States Tariff Commission for Investigations Under the "Escape Clause" of Trade Agreements, as of August 1, 1955* (processed).

Escape-clause investigations pending before the Tariff Commission at one time or another during the period July 1, 1954–June 30, 1955

Commodity	Status
1. Fresh or frozen groundfish fillets (second investigation).	*Origin of investigation:* Application by Massachusetts Fisheries Association, Inc., Boston, Mass., and others. *Application received:* May 27, 1953. *Investigation instituted:* June 16, 1953. *Hearing held:* Oct. 20–26, 1953. *Investigation completed:* May 7, 1954. *Recommendation of the Commission:* Modification in concession recommended to the President. *Vote of the Commission:* 3–2. *Action of the President:* Recommendation rejected by the President July 2, 1954.
2. Watches, movements, and parts (second investigation).	*Origin of investigation:* Application by Elgin National Watch Co., Elgin, Ill., Hamilton Watch Co., Lancaster, Pa., and Waltham Watch Co., Waltham, Mass. *Application received:* Sept. 1, 1953. *Investigation instituted:* Sept. 9, 1953. *Hearing held:* Feb. 9–12, 1954. *Investigation completed:* May 28, 1954. *Recommendation of the Commission:* Modification in concession recommended to the President. *Vote of the Commission:* 4–2. *Action of the President:* Concession modified by Presidential proclamation of July 27, 1954.
3. Lead and zinc	*Origin of investigation:* Application by National Lead and Zinc Committee, Salt Lake City, Utah. *Application received:* Sept. 14, 1953. *Investigation instituted:* Sept. 16, 1953. *Hearing held:* Nov. 3–6, 1953. *Investigation completed:* May 21, 1954. *Recommendation of the Commission:* Modification in concession recommended to the President. *Vote of the Commission:* 6–0. *Action of the President:* President deferred action on Commission's recommendation July 19, 1954. Recommendation rejected by the President Aug. 20, 1954.
4. Alsike clover seed	*Origin of investigation:* Application by W. W. Thompson, Klamath Falls, Oreg., and others. *Application received:* Nov. 23, 1953. *Investigation instituted:* Dec. 2, 1953. *Hearing held:* Feb. 16, 1954. *Investigation completed:* May 21, 1954. *Recommendation of the Commission:* Modification in concession recommended to the President. *Vote of the Commission:* 6–0. *Action of the President:* Recommendation accepted in part by the President. Concession modified by Presidential proclamation of June 30, 1954. President on July 14, 1954, requested Commission to continue investigation and to submit supplementary report to him by May 2, 1955. *Commission ordered investigation continued:* Aug. 3, 1954. *Hearing held:* Mar. 10, 1955. *Investigation completed:* Apr. 28, 1955. *Recommendation of the Commission:* Further modification in concession recommended to the President. *Vote of the Commission:* 5–0.

Escape-clause investigations pending before the Tariff Commission at one time or another during the period July 1, 1954–June 30, 1955—Continued

Commodity	Status
4. Alsike clover seed.—Con	*Action of the President:* Recommendation accepted in part by the President. Concession further modified by proclamation of June 29, 1955.
5. Spring clothespins (third investigation).	*Origin of investigation:* Application by Clothespin Manufacturers of America, Washington, D. C. *Application received:* Jan. 7, 1954. *Investigation instituted:* Jan. 25, 1954. *Hearing held:* Apr. 20 and 21, 1954. *Investigation completed:* Oct. 6, 1954. *Vote of the Commission:* 3–3. *Action of the President:* President decided not to modify the concession Nov. 20, 1954.
6. Ground chicory	*Origin of investigation:* Application by E. B. Muller & Co., Port Huron, Mich., and others. *Application received:* Jan. 19, 1954. *Investigation instituted:* Jan. 25, 1954. *Hearing held:* Apr. 27, 1954. *Investigation completed:* Sept. 7, 1954. *Recommendation of the Commission:* No modification in concession recommended. *Vote of the Commission:* 5–0.
7. Screws, commonly called wood screws, of iron or steel (third investigation).	*Origin of investigation:* Application by United States Wood Screw Service Bureau, New York, N. Y. *Application received:* Jan. 29, 1954. *Investigation instituted:* Feb. 25, 1954. *Hearing held:* May 26 and 27, 1954. *Investigation completed:* Oct. 28, 1954. *Vote of the Commission:* 3–3. *Action of the President:* President decided not to modify the concession Dec. 23, 1954.
8. Wool gloves and mittens and glove and mitten linings of wool.	*Origin of investigation:* Application by American Knit Handwear Association, Inc., Gloversville, N. Y. *Application received:* Mar. 29, 1954. *Investigation instituted:* Apr. 12, 1954. *Hearing held:* Sept. 14 and 15, 1954. *Investigation completed:* Dec. 28, 1954. *Recommendation of the Commission:* No modification in concession recommended. *Vote of the Commission:* 5–1.
9. Glue of animal origin, n. s. p. f., and gelatin, n. s. p. f., valued under 40 cents per pound.	*Origin of investigation:* Application by National Association of Glue Manufacturers, Inc., New York, N. Y. *Application received:* Apr. 9, 1954. *Investigation instituted:* May 5, 1954. *Hearing held:* Oct. 4 and 5, 1954. *Investigation completed:* Jan. 7, 1955. *Recommendation of the Commission:* No modification in concession recommended. *Vote of the Commission:* 6–0.
10. Bicycles (second investigation).	*Origin of investigation:* Application by Bicycle Manufacturers Association of America, New York, N. Y. *Application received:* June 14, 1954. *Investigation instituted:* June 22, 1954. *Hearing held:* Sept. 21–27, 1954. *Investigation completed:* Mar. 14, 1955. *Recommendation of the Commission:* Modification in concession recommended to the President. *Vote of the Commission:* 4–1.

Escape-clause investigations pending before the Tariff Commission at one time or another during the period July 1, 1954–June 30, 1955—Continued

Commodity	Status
10. Bicycles (second investigation.—Continued	*Action of the President:* President requested further study by the Commission May 11, 1955.[1]
11. Coconuts	*Origin of investigation:* Application by Coconut Growers Association of Rio Grande and Loiza, Puerto Rico. *Application received:* Aug. 27, 1954. *Investigation instituted:* Sept. 1, 1954. *Hearing held:* None. *Investigation completed:* Oct. 25, 1954. *Recommendation of the Commission:* No modification in concession recommended. *Vote of the Commission:* 6–0.
12. Hardwood plywood (except Spanish cedar plywood).	*Origin of investigation:* Application by Hardwood Plywood Institute, Chicago, Ill. *Application received:* Sept. 3, 1954. *Investigation instituted:* Sept. 16, 1954. *Hearing held:* Mar. 22–25, 1955. *Investigation completed:* June 2, 1955. *Recommendation of the Commission:* No modification in concession recommended. *Vote of the Commission:* 5–0.
13. Red fescue seed	*Origin of investigation:* Application by Union County Seed Growers Association, Le Grande, Oreg. *Application received:* Nov. 15, 1954. *Investigation instituted:* Nov. 23, 1954. *Hearing held:* Mar. 8, 1955. *Investigation completed:* June 22, 1955. *Recommendation of the Commission:* No modification in concession recommended. *Vote of the Commission:* 4–0.
14. Ferrocerium (lighter flints) and other cerium alloys.	*Origin of investigation:* Applications by Kent Metal and Chemical Corp., Edgewater, N. J., and New Process Metals, Inc., Newark, N. J. *Applications received:* Mar. 29, 1955. *Investigation instituted:* Apr. 7, 1955. *Hearing held:* May 17, 1955. *Investigation in process.*

[1] The Commission submitted its supplemental report to the President on July 14, 1955. The President accepted the Commission's recommendation in part, and modified the concession by a Presidential proclamation of August 18, 1955.

Investigations Completed

Groundfish fillets (second investigation)

On June 16, 1953, in response to an application filed by the Massachusetts Fisheries Association, Inc., of Boston, Mass., and others, the Tariff Commission instituted an escape-clause investigation of fresh or frozen groundfish fillets. A public hearing was held from October 20 to 26, 1953.

In this investigation, the report on which was submitted to the President on May 7, 1954,[13] the Commission found (Commissioners Ryder and

[13] U. S. Tariff Commission, *Groundfish Fillets (1954): Report to the President on the Escape-Clause Investigation . . .*, 1954 (processed).

Edminster dissenting)[14] that escape-clause relief was warranted. The Commission found that, in order to remedy the serious injury to the domestic industry concerned, it was necessary to impose a duty of 2½ cents per pound on imports of the fish covered in the investigation, subject to a limitation on the quantity that might be imported. The Commission found that imports in each calendar year should be limited to 37 percent of the average aggregate annual consumption in the United States during the 5 calendar years immediately preceding the year in which the imported fish were entered. The Commission recommended that the quota be allocated among supplying countries on the basis of the average quantities supplied by such countries during specified years.

On July 2, 1954, the President declined to accept the recommendations of the Commission for an increase in the duty on groundfish fillets and for a quota on imports in any one year.

Watches, movements, and parts (second investigation)

On September 9, 1953, in response to an application filed by the Elgin National Watch Co., of Elgin, Ill., the Hamilton Watch Co., of Lancaster, Pa., and the Waltham Watch Co., of Waltham, Mass., the Tariff Commission instituted an escape-clause investigation of watches, movements, and parts. A public hearing was held from February 9 to 12, 1954.

In this investigation, the report on which was submitted to the President on May 28, 1954,[15] the Commission found that escape-clause relief was not warranted with respect to imports of the articles provided for in subdivision (6) of paragraph 367 (a) or in paragraph 367 (c) of the Tariff Act of 1930, or by reason of the customs treatment reflecting the concession granted on articles provided for under subdivision (4) of paragraph 367 (a). The Commission also found (Commissioners Ryder and McGill dissenting) that escape-clause relief was warranted with respect to the articles subject to duty under subdivisions (1), (2), (3), and (5) of paragraph 367 (a) of the Tariff Act of 1930. The Commission further found (Commissioners Ryder and McGill dissenting) that, in order to remedy serious injury to the domestic industry concerned, it was necessary that the rates of duty imposed under subdivisions (1), (2), (3), and (5) of paragraph 367 (a) of the Tariff Act of 1930 be increased, for an indefinite period, by 50 percent, but in no case in excess of the rates originally imposed under the Tariff Act of 1930.

On July 27, 1954, the President issued a proclamation modifying the import duties on the specified articles in accordance with the Commission's recommendations.

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[14] Commissioner McGill did not participate in the Commission's decision in this case, or in the preparation of the report.

[15] U. S. Tariff Commission, *Watches, Movements, and Parts (1954): Report to the President on the Escape-Clause Investigation . . .*, 1954 (processed).

Lead and zinc

On September 16, 1953, in response to an application filed by the National Lead and Zinc Committee, of Salt Lake City, Utah, the Tariff Commission instituted an escape-clause investigation of lead and zinc. A public hearing was held from November 3 to 6, 1953.

In this investigation, the report on which was submitted to the President on May 21, 1954,[16] the Commission found that escape-clause relief was warranted with respect to the articles described in paragraphs 391 and 392 of the Tariff Act of 1930 (except Babbitt metal, solder, lead in sheets, pipe, shot, glaziers' lead, and lead wire), and the articles described in paragraphs 393 and 394 (except zinc dust and zinc in sheets). The Commission found that, in order to remedy the serious injury to the domestic industry concerned, it was necessary that rates of duty 50 percent above the rates "existing on January 1, 1945," within the meaning of section 350 (a) (2) of the Tariff Act of 1930, as amended, be imposed, for an indefinite period, on the specified products covered in paragraphs 391, 392, 393, and 394 of the Tariff Act of 1930, except that in the case of old and worn-out zinc fit only to be remanufactured, zinc dross, and zinc skimmings provided for in paragraph 394 of the tariff act, the rate should be increased to 1⅛ cents per pound. Commissioner Ryder concurred in the findings of serious injury with respect to the products covered in the investigation, but dissented from the findings with respect to the relief recommended.

On July 19, 1954, the President announced that he was deferring action on the Commission's recommendations with respect to lead and zinc. On August 20, 1954, he announced that he had rejected the recommendations of the Commission, but that he was "taking affirmative steps at this time to strengthen and protect our domestic mobilization base for lead and zinc" by an expanded stockpiling program.

Alsike clover seed

On December 2, 1953, in response to an application filed by W. W. Thompson, of Klamath Falls, Oreg., and others, the Tariff Commission instituted an escape-clause investigation of alsike clover seed. A public hearing was held on February 16, 1954.

In this investigation, the report on which was submitted to the President on May 21, 1954,[17] the Commission found that escape-clause relief was warranted. The Commission found that, in order to remedy the serious injury to the domestic industry concerned, it was necessary to impose a duty of 4 cents per pound on alsike clover seed imported in any 12-month period, beginning July 1, in 1954, and continuing in subsequent years,

[16] U. S. Tariff Commission, *Lead and Zinc: Report to the President on Escape-Clause Investigation . . .*, 1954 (processed).

[17] U. S. Tariff Commission, *Alsike Clover Seed: Report to the President on Escape-Clause Investigation . . .*, 1954 (processed).

until 1,500,000 pounds had been imported, and to impose a duty of 6 cents per pound on imports in excess of that annual tariff quota. Accordingly, the Commission recommended that the tariff concession on alsike clover seed be modified to permit the application of the rates of duty specified in its findings.

On June 30, 1954, the President issued a proclamation imposing a duty of 2 cents per pound on imports of alsike clover seed during the 12-month period beginning July 1, 1954, until 1,500,000 pounds had been entered, and a duty of 6 cents per pound on imports in excess of that quantity. The President's proclamation modified the Commission's recommendation in another respect by limiting the modification of the concession to 1 year; the Commission had recommended that the concession be modified for an indefinite period.

On July 14, 1954, in a letter to the Chairman of the Tariff Commission, the President requested the Commission to continue its investigation of alsike clover seed, and to submit to him, by May 2, 1955, a supplementary report indicating whether the Commission then considered necessary the continuation of the tariff quota on alsike clover seed beyond June 30, 1955.

In its supplementary report, submitted to the President on April 28, 1955,[18] the Commission recommended that a duty of 2 cents per pound be imposed on alsike clover seed imported in any 12-month period, beginning July 1, 1955, and continuing in subsequent years, until 2.5 million pounds had been so imported, and a duty of 6 cents per pound on imports in excess of that annual tariff quota.

On June 29, 1955, the President issued a proclamation limiting imports of alsike clover seed during each of the two 12-month periods beginning July 1, 1955, and July 1, 1956, to 2.5 million pounds dutiable at 2 cents per pound, imports in excess thereof during each of the two periods to be dutiable at 6 cents per pound. The President thus modified the Commission's recommendation by limiting the effectiveness of his proclamation to the next two 12-month periods, or until June 30, 1957.

Spring clothespins (third investigation)

On January 25, 1954, in response to an application filed by the Clothespin Manufacturers of America, of Washington, D. C., the Tariff Commission instituted an escape-clause investigation of spring clothespins. A public hearing was held on April 20 and 21, 1954.

The Commission submitted its report to the President on October 6, 1954.[19] Three Commissioners (Commissioners Brossard, Talbot, and Schreiber) found that escape-clause relief was warranted and the three other Commissioners (Commissioners Ryder, Edminster, and Sutton)

[18] U. S. Tariff Commission, *Alsike Clover Seed: Supplementary Report to the President on Escape-Clause Investigation . . .*, 1955 (processed).

[19] U. S. Tariff Commission, *Spring Clothespins: Report to the President on Escape-Clause Investigation . . .*, 1954 (processed).

made a contrary finding. The Commissioners who found that escape-clause relief was warranted also found that, in order to remedy the serious injury to the domestic industry concerned, it was necessary, for an indefinite period, to establish, for imports of spring clothespins, an absolute annual quota of 450,000 gross.

In a situation of this kind, section 330 of the Tariff Act of 1930, as amended by section 201 of the Trade Agreements Extension Act of 1953 (Public Law 215, 83d Cong.), requires that the findings and recommendations of each group of Commissioners shall be transmitted to the President, and provides that the findings and recommendations of either such group may be considered by the President as the findings and recommendations of the Commission.

On November 20, 1954, the President announced that he had decided not to take escape-clause action with respect to imports of spring clothespins.

Ground chicory

On January 25, 1954, in response to an application filed by E. B. Muller & Co., of Port Huron, Mich., and others, the Tariff Commission instituted an escape-clause investigation of chicory, ground or otherwise prepared. A public hearing was held on April 27, 1954.

In this investigation, the report on which was issued on September 7, 1954,[20] the Commission found that escape-clause relief with respect to chicory was not warranted 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.

Wood screws (third investigation)

On February 25, 1954, in response to an application filed by the United States Wood Screw Service Bureau, of New York, N. Y., the Tariff Commission instituted an escape-clause investigation of wood screws of iron or steel. A public hearing was held on May 26 and 27, 1954.

The Commission submitted its report to the President on October 28, 1954.[21] Three Commissioners (Commissioners Brossard, Talbot, and Schreiber) found that escape-clause relief was warranted, and the three other Commissioners (Commissioners Ryder, Edminster, and Sutton) made a contrary finding. The Commissioners who found that escape-clause relief was warranted also found that, in order to remedy the serious injury to the domestic industry concerned, it was necessary, for an indefinite period, to establish, for imports of wood screws of iron or steel (except lag bolts or lag screws), an absolute annual quota of 2,800,000

[20] U. S. Tariff Commission, *Chicory, Ground, or Otherwise Prepared: Report on Escape-Clause Investigation . . .*, 1954 (processed).

[21] U. S. Tariff Commission, *Wood Screws of Iron or Steel: Report to the President on Escape-Clause Investigation . . .*, 1954 (processed).

gross—such quota to be allocated among supplying countries as specified in the Commission's recommendation. As in the spring clothespins investigation, the findings and recommendation of each group of Commissioners were transmitted to the President.

On December 23, 1954, the President announced that he had decided not to modify the concession on wood screws of iron or steel.

Wool gloves and mittens

On April 12, 1954, in response to an application filed by the American Knit Handwear Association, Inc., of Gloversville, N. Y., the Tariff Commission instituted an escape-clause investigation of certain wool gloves and mittens and glove and mitten linings of wool. A public hearing was held on September 14 and 15, 1954.

In this investigation, the report on which was issued on December 28, 1954,[22] the Commission found (Commissioner Brossard dissenting) that escape-clause relief with respect to the wool gloves, mittens, and linings covered in the investigation was not warranted 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.

Glue of animal origin and inedible gelatin

On May 5, 1954, in response to an application filed by the National Association of Glue Manufacturers, Inc., of New York, N. Y., the Tariff Commission instituted an escape-clause investigation of certain glue of animal origin and inedible gelatin. A public hearing was held on October 4 and 5, 1954.

In this investigation, the report on which was issued on January 7, 1955,[23] the Commission found that escape-clause relief with respect to the glue and gelatin covered in the investigation was not warranted 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.

Bicycles (second investigation)

On June 22, 1954, in response to an application by the Bicycle Manufacturers Association of America, of New York, N. Y., the Tariff Commission instituted an escape-clause investigation of bicycles. A public hearing was held from September 21 to 27, 1954.

In this investigation, the report on which was submitted to the President on March 14, 1955,[24] the Commission found (Commissioner Sutton

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[22] U. S. Tariff Commission, *Wool Gloves and Mittens and Glove and Mitten Linings of Wool: Report on Escape-Clause Investigation . . .*, 1954 (processed).

[23] U. S. Tariff Commission, *Inedible Gelatin and Glue of Animal Origin: Report on Escape-Clause Investigation . . .*, 1955 (processed).

[24] U. S. Tariff Commission, *Bicycles (1955): Report to the President on Escape-Clause Investigation . . .*, 1955 (processed).

dissenting) that escape-clause relief was warranted. The Commission found that, in order to remedy the serious injury to the domestic industry concerned, it was necessary that the following rates of duty be applied to imports of bicycles, for an indefinite period:

Bicycles with or without tires, having wheels in diameter (measured to the outer circumference of the tire)—

Over 25 inches	A rate of $3.75 each, but not less than 22½ percent nor more than 30 percent ad valorem.
Over 19, but not over 25 inches.	A rate of $3 each, but not less than 22½ percent nor more than 30 percent ad valorem.
Not over 19 inches	A rate of $1.87½ each, but not less than 22½ percent nor more than 30 percent ad valorem.

(Commissioner Edminster dissented in part from this finding.)

On May 11, 1955, in a letter to the Chairman of the Tariff Commission, the President asked the Commission for further information before deciding on the escape-clause action with respect to imports of bicycles. The President asked the Commission to consider certain specific questions, and to report to him thereon not later than July 15, 1955.[25]

Coconuts

On September 1, 1954, in response to an application filed by the Coconut Growers Association of Rio Grande and Loiza, Puerto Rico, the Tariff Commission instituted an escape-clause investigation of coconuts in the shell. No public hearing was held in connection with the investigation.

In this investigation, the report on which was issued on October 25, 1954,[26] the Commission found that escape-clause relief with respect to coconuts was not warranted 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.

Hardwood plywood

On September 16, 1954, in response to an application filed by the Hardwood Plywood Institute, of Chicago, Ill., the Tariff Commission instituted an escape-clause investigation of hardwood plywood (except Spanish cedar plywood). A public hearing was held from March 22 to 25, 1955.

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[25] In the Commission's supplementary report, which was submitted to the President on July 14, 1955, a majority of the Commission (Commissioners Brossard, Talbot, and Schreiber) expressed the opinion that the more recent information presented in the report indicated that the trend in the quantity of imports of bicycles was continuing upward and that the condition of the domestic bicycle industry was continuing to deteriorate. Commissioner Sutton did not subscribe to this opinion. See U. S. Tariff Commission, *Bicycles (1955): Supplementary Report to the President on Escape-Clause Investigation . . .*, 1955 (processed). On August 18, 1955, the President accepted in part the recommendation of the Commission, and, by a Presidential proclamation of the same date, modified the concession.

[26] U. S. Tariff Commission, *Coconuts in the Shell: Report on Escape-Clause Investigation . . .*, 1954 (processed).

In this investigation, the report on which was issued on June 2, 1955,[27] the Commission found that escape-clause relief with respect to the hardwood plywood covered in the investigation was not warranted 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.

Red fescue seed

On November 23, 1954, in response to an application filed by the Union County Seed Growers Association, of Le Grande, Oreg., the Tariff Commission instituted an escape-clause investigation of red fescue seed (including both Chewings fescue and creeping red fescue seed). A public hearing was held on March 8, 1955.

In this investigation, the report on which was issued on June 22, 1955,[28] the Commission found that escape-clause relief with respect to red fescue seed was not warranted 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.

Review of Escape-Clause Actions Under Executive Order 10401

The standard escape clause and section 7 of the Trade Agreements Extension Act of 1951, as amended, contemplate that any escape-clause action taken by the President with respect to a particular commodity is to remain in effect only "for the time necessary to prevent or remedy" the injury. The President, by Executive Order 10401, established a formal procedure for review of escape-clause actions. Paragraph 1 of this 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 first such report is to be made 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.

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[27] U. S. Tariff Commission, *Hardwood Plywood: Report on Escape-Clause Investigation . . .*, 1955 (processed).

[28] U. S. Tariff Commission, *Red Fescue Seed: Report on [Escape-Clause] Investigation . . .*, 1955 (processed). Commissioner Edminster participated in this investigation and concurred in the Commission's finding, but his term of office expired before the report was made public.

Upon completion of such 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 dried figs, women's fur felt hats and hat bodies, and hatters' fur.

Dried figs

Effective August 30, 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.

As required by paragraph 1 of Executive Order 10401, the Commission on August 24, 1954, submitted to the President its first periodic report on developments with respect to the dried figs involved in the escape action. In its report,[29] the Commission concluded that the conditions of competition with respect to the trade in imported and domestic dried figs had not so changed as to warrant the institution of a formal investigation under the provisions of paragraph 2 of Executive Order 10401. On September 10, 1954, in a letter to the Chairman of the Tariff Commission, the President approved the Commission's conclusion.

Women's fur felt hats and hat bodies

Effective December 1, 1950, after an escape-clause investigation and report by the Tariff Commission, the President withdrew the concession granted by the United States in the General Agreement on Tariffs and Trade on women's fur felt hats and hat bodies valued at more than $9 and not more than $24 per dozen, and restored the compound rates of duty specified in the Tariff Act of 1930 for these products.

As required by paragraph 1 of Executive Order 10401, the Commission on November 24, 1954, submitted to the President its third periodic report on developments with respect to the fur felt hats and hat bodies involved in the escape action. In its report,[30] the Commission concluded that the conditions of competition with respect to the trade in imported and domestic fur felt hats and hat bodies for women's wear had not so changed as to warrant the institution of a formal investigation under the provisions of paragraph 2 of Executive Order 10401. On January 27, 1955, in a letter to the Chairman of the Tariff Commission, the President approved the Commission's conclusions.

As a result of litigation in the customs courts, the escape-clause action with respect to women's fur felt headwear has been practically nullified.

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[29] U. S. Tariff Commission, *Figs, Dried: Report to the President (1954) under Executive Order 10401*, 1954 (processed).

[30] U. S. Tariff Commission, *Women's Fur Felt Hats and Hat Bodies: Report to the President (1954) Under Executive Order 10401*, 1954 (processed).

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In this litigation, importers contended that the Presidential proclamation that resulted in increased duties on certain women's fur felt headwear applied only to such headwear when made from fur felt that had a separate and independent existence as such. This contention was based on the language of the term "composed wholly or in chief value of fur felt," in the escape-clause proclamation, the argument being that the word "composed" required the application of the "preexisting material" rule that had been developed in the customs courts in the interpretation of certain tariff provisions. The United States Customs Court sustained the importers' contentions, and, upon appeal by the Government, the Court of Customs and Patent Appeals affirmed the lower court's judgment. A petition for rehearing by the Government was denied. Since virtually all women's fur felt headwear entered under the value brackets covered by the escape-clause action is made by a continuous process beginning with the raw fur, the effect of the court decision was virtually to nullify the escape-clause relief.

Hatters' fur

Effective February 9, 1952, after an escape-clause investigation and report by the Tariff Commission, the President modified the concession granted by the United States 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.

As required by paragraph 1 of Executive Order 10401, the Commission on February 4, 1955, submitted to the President its second periodic report on developments with respect to the products involved in the escape action. In its report,[31] the Commission concluded that the conditions of competition with respect to the trade in imported and domestic hatters' fur had not so changed as to warrant the institution of a formal investigation under the provisions of paragraph 2 of Executive Order 10401. On March 24, 1955, in a letter to the Chairman of the Tariff Commission, the President approved the Commission's conclusions.

QUANTITATIVE RESTRICTIONS ON IMPORTS INTO THE UNITED STATES

During all or part of the last half of 1954 and the first half of 1955 the United States applied quantitative restrictions to imports of the following commodities: (1) Cotton, wheat and wheat flour, shelled and blanched almonds, shelled filberts, certain dairy products, flaxseed, linseed oil, peanuts, peanut oil, oats, rye, and barley, under section 22 of the Agricultural Adjustment Act, to prevent imports from interfering with

[31] U. S. Tariff Commission, *Hatters' Fur: Report to the President (1955) Under Executive Order 10401*, 1955 (processed).

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, rice, cigars, scrap tobacco, coconut oil, and buttons of pearl or shell imported from the Republic of the Philippines, under the Philippine Trade Act of 1946, as part of a program to gradually eliminate 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, trade-marks, 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 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, 1954, to June 30, 1955, the United States applied quantitative restrictions (quotas [33]) or fees on the importation of cotton, wheat and wheat flour, shelled and blanched almonds, shelled filberts, certain dairy products, flaxseed, linseed oil, peanuts, peanut oil, oats, rye, and barley, under the provisions of section 22 of the Agricultural Adjustment Act, as amended.

Section 22 authorizes the President to restrict imports of any commodity, by imposing either import fees or quotas, 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. Before the President takes any action under section 22 he is required in ordinary circumstances to await an investigation (including a public hearing) and recommendations by the Tariff Commission. The Trade Agreements Extension Act of 1951 (sec. 8) provides that, upon report by the Secretary of Agriculture that emergency treatment is required because of the perishability of an agricultural commodity,

[32] Ch. 7.

[33] This discussion, as well as the following discussions on restrictions under the sugar act and under the Philippine Trade Act of 1946, 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 reduced rates of duty; imports in excess of the quota are subject to higher rates of duty, but they may be entered in unlimited quantities.

the Commission's report to the President and the President's decision must be made not more than 25 calendar days after the case is submitted to the Tariff Commission.[34] In such circumstances, however, the President is authorized to take immediate action if he deems it necessary, without awaiting the Commission's recommendations. The Trade Agreements Extension Act of 1953 provides further that the President may take immediate action under section 22, without awaiting the Commission's recommendations, in any case where the Secretary of Agriculture reports to the President that a condition exists requiring emergency treatment. The President's action under this latter provision of law is to continue in effect pending receipt of the report and recommendations of the Tariff Commission, when he may or may not modify his action to comply with the recommendations of the Commission.

Cotton and cotton waste (continuing investigation)

To prevent interference with programs of the Department of Agriculture affecting the production or marketing of domestic cotton, the United States in 1939 established import quotas for cotton having a staple of less than 1⅛ inches (except harsh or rough cotton having a staple of less than ¾ inch); for long-staple cotton 1⅛ inches and longer; and for certain wastes, consisting of card strips and of comber, lap, sliver, and roving wastes. In 1940 the restrictions on imports of cotton having a staple of 1¹¹⁄₁₆ inches or more were suspended; in 1942, those on imports of card strips made from cotton having a staple of 1³⁄₁₆ inches or more also were suspended. In 1946, quotas were imposed on imports of harsh or rough cotton having a staple of less than ¾ inch. Supplemental quotas have also been granted from time to time for certain long-staple cottons. Both the basic and supplemental quotas on cotton have been established by Presidential proclamation after investigations and recommendations by the Tariff Commission. During the period covered by this report the Commission made no investigations relating to cotton under section 22. The Commission, however, is continuing to watch developments with respect to cotton and cotton waste.

Wheat and wheat flour (continuing investigation)

Since May 1941, under the provisions of section 22 of the Agricultural Adjustment Act, and in accordance with recommendations of the Tariff Commission, the United States has restricted imports of wheat and 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

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[34] Sec. 8 provides for investigation by the Commission (and decision by the President) under the provisions of either sec. 7 of the Trade Agreements Extension Act of 1951 (the escape clause) or sec. 22 of the Agricultural Adjustment Act, whichever is applicable.

products. The quotas are allocated by country; in general, they are in proportion to imports from the several countries in the 5-year period 1929–33. Since their adoption in 1941, the basic quotas have not been changed, but exceptions have been granted on distress shipments, on seed wheat, on wheat for experimental purposes, and on wheat imported during the war by the War Food Administrator (virtually all of which was used for animal feed). The Tariff Commission is continuing to watch developments with respect to wheat, wheat flour, and other wheat products.

On November 29, 1954, in response to an application by the National Macaroni Manufacturers Association, the Commission instituted an investigation, under the provisions of section 22, of durum wheat (Class II) or flour, including semolina, produced from such wheat. The investigation was limited to the remainder of the quota year which ended May 28, 1955. The applicant requested that existing quota restrictions on wheat and wheat flour be modified to permit over-quota imports of the specified products in order to meet the emergency needs of the industry. A public hearing was scheduled for January 11, 1955. However, the National Macaroni Manufacturers Association informed the Commission that the conditions that led the association to request the investigation could not be remedied by any action that might result from the investigation, and requested that the investigation be discontinued. On January 6, 1955, the Commission discontinued and dismissed the investigation.

Edible tree nuts (continuing investigation)

During 1955 the Tariff Commission had pending before it a continuing investigation of edible tree nuts, under the provisions of section 22. By direction of the President, the Tariff Commission instituted this investigation on April 13, 1950. The purpose of the investigation is to determine whether almonds, filberts, walnuts, brazil nuts, or cashews are being imported, or are practically certain to be imported, into the United States under such conditions and in such quantities as to render ineffective or tend to render ineffective or materially interfere with any of the programs undertaken by the Department of Agriculture with respect to almonds, filberts, walnuts, or pecans, or to reduce substantially the amount of any product processed in the United States from such almonds, filberts, walnuts, or pecans. The Commission submitted reports to the President in this investigation in November 1950, in November 1951, in September 1952, and in September 1953.

The Commission ordered a public hearing in the investigation of edible tree nuts under section 22 on June 24, 1954. The hearing was held on August 24 and 25, 1954. In its report to the President on September 24, 1954,[35] the Commission recommended imposition of a fee of 10 cents per

[35] U. S. Tariff Commission, *Edible Tree Nuts: Report to the President . . .*, 1954 (processed).

pound, but not more than 50 percent ad valorem, on imports of almonds in excess of an aggregate quantity of 4.5 million pounds during the period October 1, 1954, through September 30, 1955, and imposition of a fee of 10 cents per pound, but not more than 50 percent ad valorem, on imports of shelled filberts in excess of an aggregate quantity of 5.5 million pounds during the period October 1, 1954, through September 30, 1955. By proclamation of October 11, 1954, the President imposed a fee of 10 cents per pound on imports of almonds in excess of 5 million pounds during the period October 1, 1954, through September 30, 1955, and a fee of 10 cents per pound on imports of shelled filberts in excess of 6 million pounds during the same period. The President's action thus modified the recommendations of the Commission.

In its report of September 24, 1954, as in its previous reports, the Commission advised the President that it was continuing the investigation, and that it would report again if further action was found to be necessary to carry out the purposes of section 22 of the Agricultural Adjustment Act, as amended. At that time the Commission reported findings with respect to almonds and filberts. With respect to walnuts, however, the Commission stated that it would make its report later in the marketing year when developments in the trade had clarified sufficiently to enable the Commission to make a finding.

On February 24, 1955, the Commission reported to the President that walnuts were not being imported and were not likely to be imported into the United States during the remainder of the 12-month period ending September 30, 1955, under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with any program undertaken by the United States Department of Agriculture with respect to walnuts, almonds, filberts, or pecans produced in the United States. On March 24, 1955, the President concurred with the Commission's finding that there was no need for restrictions on imports of walnuts during the marketing year for walnuts ending on September 30, 1955.

Shelled filberts (supplemental investigation)

On May 25, 1955, in response to a letter from the Imported Nut Section of the Association of Food Distributors, of New York, N. Y., the Tariff Commission instituted a supplemental investigation of shelled filberts, whether or not blanched, under the provisions of section 22. A public hearing was held on June 21, 1955. On June 30, 1955, the end of the period covered by this report, the investigation was in process.

Peanuts (supplemental investigation)

On November 26, 1954, in response to an application by the National Confectioners' Association of the United States, and others, the Tariff Commission instituted a supplemental investigation of peanuts under the provisions of section 22. The applicants requested that existing quota

restrictions on peanuts under section 22 be relaxed in order to relieve emergency needs of United States users of peanuts. A public hearing was held on January 4, 1955.

The Commission reported the results of its investigation to the President on February 18, 1955.[36] The Commission (Commissioners Talbot and Schreiber dissenting) recommended that during the remainder of the quota year ending June 30, 1955, there be permitted to be imported an aggregate quantity of 48 million pounds of shelled, blanched, salted, prepared, or preserved peanuts (including roasted peanuts, but not including peanuts not shelled or peanut butter), of sizes averaging in representative samples more than 40 kernels per ounce, subject to a fee of 2 cents per pound but not more than 50 percent ad valorem; that after such quantity of 48 million pounds has been entered, imports of such peanuts shall be subject to a fee of 4 cents per pound but not more than 50 percent ad valorem; and that the fees specified be in addition to the other duties imposed on the importation of peanuts.

On March 9, 1955, the President issued a proclamation authorizing the importation of an additional 51 million pounds of the specified peanuts, averaging more than 40 kernels per ounce, during the remainder of the quota year ending June 30, 1955, such imports to be subject to an additional fee of 2 cents per pound but not more than 50 percent ad valorem. The President thus modified the Commission's recommendation. The Commission had recommended an increase in the additional fee from 2 cents to 4 cents per pound on all imports of peanuts after 48 million pounds had been entered. The President stated that, because of certain technical legal problems attendant on the use of a 4-cent fee in these circumstances, he had decided to authorize the importation of 51 million pounds at the 2-cent per pound additional fee.

Peanuts (second supplemental investigation)

On March 31, 1955, as a result of information received from the Secretary of Agriculture, the Tariff Commission instituted a second supplemental investigation of peanuts, under the provisions of section 22. In his letter, the Secretary of Agriculture indicated that the additional quantity of peanuts permitted entry over the basic quota during the remainder of the current quota year was not sufficient to enable the trade to import enough peanuts to meet requirements until supplies became available from the 1955 crop. A public hearing was held on April 19, 1955.

The Commission reported the results of its investigation to the President on May 5, 1955.[37] The Commission recommended (1) that the current

[36] U. S. Tariff Commission, *Peanuts: Supplemental Investigation Under Section 22 . . .*, 1955 (processed).

[37] U. S. Tariff Commission, *Peanuts: Second Supplemental Investigation Under Section 22 . . .*, 1955 (processed).

quota year for peanuts be extended through July 31, 1955; (2) that, during the remainder of the current quota year ending July 31, 1955, there be permitted to be imported additional quantities of peanuts (without regard to size), whether shelled, not shelled, blanched, salted, prepared, or preserved (including roasted peanuts, but not including peanut butter), unrestricted by quota but subject to the following fees (in addition to the regular duties imposed upon the importation of peanuts): (a) on peanuts, not shelled, 1½ cents per pound, but not more than 50 percent ad valorem; (b) on all other specified peanuts, 2 cents per pound, but not more than 50 percent ad valorem; and (3) that the quota year for peanuts be changed to begin hereafter on August 1 in any year.

By proclamation of May 16, 1955, the President permitted unlimited quantities of shelled peanuts of all sizes to be imported into the United States or withdrawn from warehouse until July 31, 1955, entries of such peanuts to be subject to a fee of 2 cents per pound in addition to the regular duty of 7 cents per pound prescribed by the Tariff Act of 1930. With one exception, the President accepted the recommendations of the Tariff Commission. The Commission had recommended that imports of unshelled peanuts be permitted, but the President's proclamation applied only to shelled peanuts, blanched, salted, prepared, or preserved (including roasted peanuts, but not including peanut butter).

Oats (second investigation)

On August 23, 1954, at the direction of the President, the Tariff Commission instituted a second investigation of hulled or unhulled oats, and unhulled ground oats, under the provisions of section 22. A public hearing was held on September 8, 1954.

The Commission reported the results of its investigation to the President on September 27, 1954.[38] The Commission recommended the establishment, for imports of hulled and unhulled oats and unhulled ground oats, of an aggregate quota of 40 million bushels of 32 pounds each, for the 12-month period beginning October 1 in 1954 and in subsequent years.

By a proclamation of October 4, 1954, the President placed in effect, for the period October 1, 1954, through September 30, 1955, the quota recommended by the Commission. The proclamation, however, specified that, of the aggregate quantity of 40 million bushels, not more than 39,312,000 bushels could be imported from Canada.[39]

Tung oil and tung nuts

On May 19, 1954, at the direction of the President, the Tariff Commission ordered an investigation of tung oil and tung nuts, under the

[38] U. S. Tariff Commission, *Oats, Hulled and Unhulled, and Unhulled Ground Oats: Report to the President . . .*, 1954 (processed).

[39] On September 9, 1955, the President announced that he would not request the Tariff Commission to investigate, pursuant to section 22, the advisability of imposing an import quota on oats beyond September 30, 1955.

provisions of section 22. A public hearing was held on August 10, 1954.

The Commission reported the results of its investigation to the President on September 30, 1954.[40] The Commission recommended the establishment, for imports of tung oil and tung nuts, of an aggregate quota of 13.4 million pounds for the 12-month period beginning November 1 in 1954 and in subsequent years, tung nuts to be charged against this quota on the basis of 15.9 pounds for each 100 pounds of tung nuts.

In the light of the undertaking by Argentina and Paraguay to restrict their exports to the United States of tung oil and the equivalent in tung nuts to totals of 21.8 million pounds and 2.6 million pounds, respectively, during the marketing year ending October 31, 1955, the President on November 22, 1954, announced that he would not act on the recommendations made by the Tariff Commission in its report.

Barley

On August 23, 1954, at the direction of the President, the Tariff Commission ordered an investigation of barley, hulled or unhulled, including rolled barley and ground barley, and barley malt, under the provisions of section 22. A public hearing was held on September 9 and 10, 1954.

The Commission reported the results of its investigation to the President on September 30, 1954.[41] The Commission recommended imposition of a fee of 8 cents per bushel but not more than 50 percent ad valorem on imports of the specified products in any 12-month period beginning October 1 in 1954 and in subsequent years in excess of an aggregate quantity of 22.5 million bushels, such fee to be in addition to the duties imposed upon such products under the Tariff Act of 1930.

By a proclamation of October 18, 1954, the President limited imports of barley from all sources to 27.5 million bushels during the period October 1, 1954, through September 30, 1955, of which not more than 27,225,000 bushels could be imported from Canada. The President thus modified the Commission's recommendations by establishing an absolute quota instead of a tariff quota, by limiting the specified absolute quota to 1 year, and by allocating a specified part of the quota to Canada.[42]

Certain manufactured dairy products (cheeses) (supplemental investigation)

On April 12, 1955, at the direction of the President, the Tariff Commission instituted a supplemental investigation of certain manufactured dairy products (cheeses of Italian type made from cow's milk, in original loaves), under the provisions of section 22. A public hearing was held

[40] U. S. Tariff Commission, *Tung Nuts and Tung Oil: Report to the President . . .*, 1954 (processed).

[41] U. S. Tariff Commission, *Barley, Hulled or Unhulled, Including Rolled Barley and Ground Barley, and Barley Malt: Report to the President . . .*, 1954 (processed).

[42] On September 9, 1955, the President announced that he would not request the Tariff Commission to investigate, pursuant to section 22, the advisability of imposing an import quota on barley beyond September 30, 1955.

on May 10, 1955. On June 30, 1955, the end of the period covered by this report, the investigation was in process.

Rye

On May 20, 1955, at the direction of the President, the Tariff Commission ordered an investigation of rye, rye flour, and rye meal, under the provisions of section 22. A public hearing was held on June 14, 1955.

The Commission reported the results of its investigation to the President on June 24, 1955.[43] The Commission recommended establishment of a quota on rye, rye flour, and rye meal, of 95,200,000 pounds, to be imposed indefinitely for succeeding 12-month periods beginning July 1, 1955, of which not more than 8,000 pounds might be of rye flour or rye meal.

By proclamation of June 29, 1955, the President continued the limitation on imports of rye at the current level of 186,000,000 pounds per year, and limited the effectiveness of his proclamation to the next two 12-month periods, or until June 30, 1957. The President's proclamation also provided that 182,280,000 pounds of the quota might be imported from Canada, and 3,720,000 pounds from other foreign countries. Of the total permissible imports, not more than 15,000 pounds may be of rye flour or rye meal.

Restrictions Under the Sugar Act

Beginning with the Sugar Act of 1934 and continuing with the Sugar Acts of 1937 and 1948, 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 restrictions. On September 1, 1951, the President approved legislation (Public Law 140, 82d Cong.), which became effective January 1, 1953, to extend the Sugar Act of 1948, in amended form, for 4 years.

Under the system of restrictions employed, the Secretary of Agriculture determines the quantity of sugar needed each year to supply the requirements of consumers in the 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 the continental United States and its outlying territories and possessions, and in the Republic of the Philippines, Cuba, and other foreign countries.

In general, 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 quotas for domestic areas (continental United States, Hawaii, Puerto

[43] U. S. Tariff Commission, *Rye and Rye Flour and Rye Meal: Report to the President . . .* 1955 (processed).

Rico, and the Virgin Islands) and the Philippines are absolute quantities, and the remainder of the total amount determined each year by the Secretary of Agriculture is allocated proportionately to Cuba (96 percent) and to other foreign countries exclusive of the Philippines (4 percent).[44] Hence, any increment in the total estimated requirement as a result of expanded consumption would be conferred almost entirely on Cuba unless, of course, Cuba would not be able to fill it. The sugar act provides for reallocation of deficits from any supplying area, and, for some areas, limits the quantity that may be supplied as refined (direct consumption) sugar. Separate quotas on imports of liquid sugar from foreign countries are also established by law.

Restrictions Under the Philippine Trade Act

As part of extensive provisions for the transition of Philippine products, upon entry into the United States, from their present duty-free status to full-duty status, the Philippine Trade Act of 1946 [45] established absolute quotas on imports of certain commodities from the Philippines: Rice, cigars, filler and scrap tobacco, coconut oil, and buttons of pearl or shell. The act continued with some modification the absolute quota on imports of sugar from the Philippines provided for in the Sugar Act of 1937. It also continued without change the absolute quota on imports of hard-fiber cordage provided for in the Philippine Independence Act of 1939. Under the Philippine Trade Act all Philippine articles except cigars, filler and scrap tobacco, coconut oil, and pearl buttons were to become dutiable by gradual steps, beginning July 4, 1954. The four excepted articles were to become subject to declining duty-free quotas in lieu of progressive import duties. After July 3, 1974, when the full duties will apply, the quotas will no longer be imposed under the terms of the act. Public Law 474, 83d Congress, which was approved by the President on July 5, 1954, provides for continuance of the duty-free entry of Philippine goods into the United States until December 31, 1955.

Besides the quotas specifically provided for, the Philippine Trade Act of 1946 authorizes the President to establish quotas on imports of other Philippine articles which he finds, after investigation by the Tariff Commission, are coming, or are likely to come, into substantial competition

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[44] Before January 1, 1953, Cuba's share of the amount allocated to foreign countries other than the Philippines (under the Sugar Act of 1948) was 98.64 percent, and that of foreign countries other than Cuba and the Philippines was 1.36 percent.

[45] The provisions of the Philippine Trade Act were accepted by the Philippine Government on July 3, 1946. The trade agreement between the United States and the Republic of the Philippines, based on the Philippine Trade Act of 1946, became effective January 2, 1947. The Philippine Trade Act of 1946 prohibits the United States from entering into a trade agreement with the Philippines under the authority of the Trade Agreements Act, as amended.

with like articles which are the product of the United States. Thus far, no action has been taken under this provision.

On December 15, 1954, delegations of the United States Government and the Republic of the Philippines reached agreement on the revision of the 1946 trade agreement between the two countries, concluded pursuant to the Philippine Trade Act of 1946. The two delegations agreed to recommend, for consideration by their respective Governments, the revisions of the agreement that were incorporated in their final act. At the close of the period covered by this report, however, these recommendations had not been implemented by either Government.

Chapter 6

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

INTRODUCTION

This chapter is divided into two major parts. The first part deals with developments with respect to the use of quantitative trade restrictions and exchange controls by countries with which the United States has trade agreements; the second part reviews the more important changes in tariffs by these countries. The period covered is from July 1, 1954, to June 30, 1955, although developments occurring before the middle of 1954 are reviewed in some instances, particularly those relating to tariff changes. As pointed out below, changes in tariffs have recently assumed greater importance than in previous postwar years.

During the period July 1, 1954, through June 30, 1955, the relaxation and removal of quantitative restrictions on imports and exchange controls, noted in the Commission's last report, generally continued in Europe and other parts of the world. Some countries, which had done much in 1953–54 to remove quantitative restrictions on imports of dollar goods as well as on imports of nondollar goods, did little more in this direction in 1954–55. Other countries, which had made little or no progress in removing such restrictions during 1953–54 made considerable progress in removing them during 1954–55. A few countries made little or no progress in removing restrictions during either period, and a few others actually tightened their controls. During 1954–55 there was some dampening of the optimistic expectations of 1953–54 regarding the outlook for general currency convertibility in the near future, due mainly to a deterioration in the balance-of-payments position of the United Kingdom and a decline in its gold and dollar reserves. In general, however, the preparations for convertibility and a return to multilateral trade continued, as reflected in a relaxation of trade restrictions and exchange controls and in plans for the liquidation of the European Payments Union.

On the other hand, there was a somewhat greater inclination during 1954–55 for countries to increase—or seek to increase—their import duties than there was in earlier years. This situation reflects the fact

that, as countries relax quantitative restrictions on imports, tariffs again assume a greater degree of importance as a means of maintaining at least some of the protection that was formerly provided incidentally by other types of trade restrictions. Tariffs that are bound in trade agreements (as in the General Agreement on Tariffs and Trade, and in the few remaining bilateral trade agreements to which the United States is still a party) may not be increased by unilateral action. More and more, however, countries have insisted on renegotiating at least some of their bound rates in order to obtain greater freedom to increase them. Nevertheless, the Contracting Parties to the General Agreement have been able to forestall any widespread departure from the objectives of the agreement. Tariffs that are not bound in a trade agreement may, of course, be altered by any country without consulting any other country; it is in the area of such unbound duties that most of the recent tariff changes have occurred.

The general provisions of the General Agreement permit the use of quantitative restrictions and exchange controls for balance-of-payments reasons, but prohibit their use—except under certain specified circumstances—for the protection of domestic industries. All contracting parties to the agreement are obligated to relax their quantitative controls when their external financial positions improve, and to remove them entirely when the balance-of-payments problems that gave rise to them no longer exist. The fact that a number of soft-currency countries have reached, or apparently are about to reach, a position where their currencies are generally convertible into dollars—and other currencies—accounts for the numerous instances, noted in this report, of relaxations of quantitative restrictions on imports, particularly those from the dollar area. Countries that effect such relaxations usually state that they are undertaken in preparation for a return tc currency convertibility. Fear that their trade would be unfavorably affected if they were unable to join with other countries in convertibility and the freeing of trade from quantitative restrictions is a strong incentive for countries to make preparations for convertibility.

DEVELOPMENTS IN 1954–55 WITH RESPECT TO THE USE OF QUANTITATIVE TRADE RESTRICTIONS AND EXCHANGE CONTROLS

In 1954, 11 of the 33 foreign countries that are contracting parties to the General Agreement on Tariffs and Trade were reported as not restricting imports for balance-of-payments reasons.[1] These countries are

[1] See ch. 3 of this report, and Contracting Parties to GATT, *Basic Instruments . . .*, Third Supplement, pp. 63 ff.

Belgium, Canada, Cuba, Czechoslovakia, the Dominican Republic, Haiti, Indonesia, Luxembourg, Nicaragua, Peru, and the Union of South Africa.[2] The essential feature of this policy is the general absence of discrimination against imports from the dollar area.

The remaining 22 contracting parties reported that they maintain restrictions on imports to safeguard their balance of payments and that they exercise some degree of discrimination as between sources of supply. These countries are Australia, Austria, Brazil, Burma, Ceylon, Chile, Denmark, Finland, France, the Federal Republic of Germany, Greece, India, Italy, the Netherlands, New Zealand, Norway, Pakistan, the Federation of Rhodesia and Nyasaland, Sweden, Turkey, the United Kingdom, and Uruguay.[3]

Some of the nondollar countries with which the United States has trade agreements on a bilateral basis instead of under the General Agreement on Tariffs and Trade restrict imports on a discriminatory basis for balance-of-payments reasons; these countries are Argentina, Iceland, Iran, and Paraguay. All of these countries have exchange control and use quantitative restrictions to restrict imports; all except Iceland exercise exchange control through multiple-exchange-rate systems. The dollar countries with which the United States has bilateral trade agreements, namely Ecuador, El Salvador, Guatemala, Honduras, and Venezuela, do not rely on quantitative restrictions to restrain imports for balance-of-payments reasons. El Salvador, Guatemala, and Honduras maintain no exchange restrictions. Ecuador and Venezuela have exchange control in the form of multiple-exchange-rate systems; Ecuador prohibits the importation of certain commodities, and Venezuela maintains a few import restrictions, principally for purposes of protection.

In considering the developments regarding the use of quantitative trade restrictions and exchange controls by the countries with which the United States has trade agreements, it is helpful to classify the countries as follows: (1) Western European countries that are members of the Organization for European Economic Cooperation (OEEC); (2) countries of the sterling area—chiefly British Commonwealth countries; (3) various

[2] The United States also maintains no restrictions on imports for balance-of-payments reasons.

[3] Japan, which was not a contracting party to the General Agreement during the period covered by this report (it did not become a contracting party until September 10, 1955), also restricts imports for balance-of-payments reasons and discriminates between sources of supply. For a detailed discussion of the negotiations between Japan and other contracting parties at Geneva in February 1955, see ch. 4.

nondollar countries (other than those in groups 1 and 2); and (4) dollar countries.[4]

The first three of these groups—except as noted below—have in common balance-of-payments problems that result chiefly from shortages of dollar exchange. In order to conserve their limited supplies of such exchange for their more essential requirements and to build up their dollar and gold reserves, these countries have long relied heavily on the use of quantitative import restrictions (principally quotas and licensing) and exchange controls.[5] Only one of these countries—Switzerland—has actually been in a position to operate on a convertible-currency basis. Because of its proximity to and close association with a large number of countries whose currencies are not fully convertible, however, Switzerland retains certain restrictions on convertibility. Within the last 2 years some of the other

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[4] The term "dollar countries" is applied somewhat arbitrarily. The International Monetary Fund's *Balance of Payments Yearbook*, vol. 5, 1947–53 (issued in 1954), does not distinguish the dollar area as a separate group in the presentation of balance-of-payments data. As stated in the *Yearbook*, "The definition of that area varies from country to country, depending on the payments arrangements in force between the reporting country and individual foreign countries, and the definition may change from time to time for any one country. However, the classification does provide for showing separately data for the United States and Canada, which ordinarily constitute the main members of the dollar area." In the Fund's *International Financial Statistics* the Latin American dollar countries are listed as Bolivia, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, and Venezuela. The United Kingdom exchange-control regulations list as "American and Canadian account countries," in addition to the United States and its dependencies, Canada, and the Latin American countries named above, Liberia, the Philippine Islands, and Pacific islands formerly under Japanese but now under United States administration. Latin American countries listed in *International Financial Statistics* as nondollar countries are Argentina, Brazil, Chile, Paraguay, Peru, and Uruguay. In its *Fifth Annual Report on Exchange Restrictions* (1954), the Fund states that the currencies of five Latin American countries—Colombia, Costa Rica, Ecuador, Nicaragua, and Peru—"might appropriately be characterized as in fact substantially convertible, although a few restrictive practices remain." In the Commission's present report Peru is treated as a nondollar country, and Ecuador and Nicaragua as dollar countries; this follows the Fund's classification in *International Financial Statistics*.

[5] Quantitative restrictions on imports and regulations to control the issuance of foreign exchange are closely associated in all systems of trade control. Import quotas and import licensing are the devices used by countries to indicate in advance how much of a given commodity may be imported within a given period, thus affording importers some definite idea of how to plan their import programs. These devices are used to supplement exchange licensing (an arrangement under which the exchange allocated to importers for purchasing foreign goods is limited); they are highly selective and therefore of primary importance in enabling a country to give various degrees of priority to imports regarded as essential to the national economy. In some countries, exchange is automatically granted to persons holding import licenses; in others a separate exchange license is required. Exchange control has a wider application than quantitative trade restrictions have, since it applies to capital transactions and other "invisible" transactions, as well as to the trade in merchandise. Exchange control takes on still another aspect when it is exercised (as in numerous Latin American countries) through multiple rates of exchange.

countries that have long been called nondollar countries have reached a position that places their currency on the verge of full convertibility, but still not close enough to this objective to justify the elimination of import restrictions and exchange controls.

Countries whose currencies are generally convertible have no reason to employ quantitative trade restrictions or exchange controls for balance-of-payments purposes. Dollar countries that are parties to the General Agreement on Tariffs and Trade—like all other contracting parties to the agreement—may not employ quantitative restrictions for protectionist reasons, except by special arrangement and under specified conditions. These countries, therefore, have been more inclined in recent years to resort to their tariffs for protection than have countries that are free to take advantage of those provisions of the General Agreement that relate to the use of quantitative restrictions for balance-of-payments purposes. In particular, countries of Latin America—whether they are dollar or nondollar countries—have widely used multiple rates of exchange to control imports and to give priority to certain goods, and also to favor certain export commodities. Raising or lowering the rates of exchange applicable to various exports and imports has much the same effect as changing the rates of duty applicable to them.

In this report, relatively little attention is given to the details of the multiple-exchange-rate systems that are employed by various countries. The operation of multiple-exchange-rate systems, which has been discussed in detail in earlier Tariff Commission reports on the operation of the trade agreements program has not changed substantially. In this report, attention is centered mainly on the steps that various countries have taken during the past year to further the general policy of modifying quantitative restrictions on imports. These developments, particularly as they relate to the relaxation or removal of restrictions, are of interest to the United States because of its participation in the general campaign for the removal of quantitative trade restrictions. The factors associated with increased production in the various countries have enabled them to achieve a closer equilibrium in their external balances with each other—as in the OEEC countries and the sterling area—and also with the United States and other countries that have fully convertible currencies.

The general improvement in the balance-of-payments positions and also in gold and dollar reserves, which has resulted mainly from increased production and growing prosperity, has, however, created some new problems for the Contracting Parties to the General Agreement on Tariffs and Trade. From 1948 until a year or two ago, contracting parties to the General Agreement found it relatively easy to commit themselves to tariff reductions because protection against imports was brought about principally through exchange controls and quantitative import restrictions imposed for balance-of-payments reasons. In these circumstances,

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the chief problem of the Contracting Parties to the General Agreement was to see that contracting parties that employed quantitative restrictions and exchange controls for balance-of-payments reasons adhered to their obligation to relax or remove such restrictions when their external financial positions improved. As their positions in this respect improved to the point where many of them could and did remove their restrictions, these countries became increasingly aware—because of increased pressure from domestic interests for a continuation (in some form) of the protection no longer afforded by quantitative import restrictions—that tariffs would again have to serve their traditional function of being the principal protective device.

Thus the main problem that now confronts the Contracting Parties to the General Agreement is that of discouraging countries from seeking to withdraw tariff concessions in order to have a free hand to increase import duties. There has also been a strong tendency for certain countries to plead for the right to use quantitative import restrictions for protection of domestic industries, especially the so-called hard-core cases. Hard-core import restrictions are those which countries feel cannot be removed suddenly—even if a balance-of-payments reason for them no longer exists—without serious injury to a domestic industry or branch of agriculture that has become adjusted to the protection they afforded. To meet the insistent demand of certain countries, including the United States, for the right to use quantitative restrictions for hard-core cases, the Contracting Parties have arranged to grant temporary waivers from the obligation to eliminate quantitative restrictions. Each such waiver is subject to the concurrence of the Contracting Parties.

The OEEC Countries

The countries of Western Europe that are members of the Organization for European Economic Cooperation (OEEC) continued in 1954–55 to clear most of their payments with each other through the European Payments Union, and to make further progress toward the common goal of freeing their mutual trade of quantitative restrictions. The further reopening of commodity markets to private trading and the spread of currency arbitrage were important steps dating from the preceding period (1953–54) in the movement toward general currency convertibility. The introduction of currency arbitrage (that is, currency trading on a multilateral basis)[6] by a number of OEEC countries since 1953 has made it possible for these countries to reduce their dependence on the Payments Union in making settlements with each other, thereby reducing the gross amounts that had to be settled through EPU. It is apparent that, if arbitrage arrangements were extended to cover all member countries of

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

OEEC, they would take over most of the functions of the Payments Union.

Actually, it is the intention of OEEC that currency convertibility will be restored by developments of this kind, but not all members are yet in a position to make such arrangements for their currencies. Although the Swiss franc is convertible, and although the currencies of West Germany and the Benelux countries could be made convertible to the same extent, these and other countries refrain from launching the experiment until the United Kingdom is in a position to take the lead in convertibility. In mid-1954, when the United Kingdom's gold and dollar reserves reached a peak of more than 3 billion dollars, it seemed probable that the pound sterling would be freed of restrictions in the near future. Since then the British reserves have declined and the United Kingdom has been faced with a worsening of its trade balance. In the circumstances it has hesitated to attempt convertibility.

EPU has been renewed on a yearly basis since the close of its first year of operation in mid-1951. At the time of each renewal, some changes have been made in operational procedures in order to create conditions more favorable to its success. When EPU was further extended on July 1, 1955, it was with the understanding that its operations would be terminated by the close of the ensuing year. Since EPU was originally established for a group of countries with inconvertible currencies, the attainment of convertibility by some members of the group means that they no longer have reason to remain in the Payments Union; in fact, such countries are anxious to withdraw from the Union as soon as they can make arrangements for satisfactory liquidation and final settlement. Such countries could, however, continue to be members of OEEC and to participate in its work toward the relaxation of quantitative trade restrictions and the attainment of its other objectives.

OEEC countries that are not yet ready to undertake convertibility, or countries that might find the maintenance of their currencies on a convertible basis difficult, would still need to retain at least some of the settlement privileges and other benefits provided by EPU. To meet the needs of these countries, arrangements have been made to set up a European Monetary Agreement to succeed the Payments Union on its liquidation. The new monetary agreement provides for the establishment of a European Fund and a multilateral system for settlements. The main function of the European Fund, as "residual legatee" of EPU, would be to extend credit—in somewhat the same way that credit has been extended under EPU—to those countries that need it. Funds remaining after the liquidation of EPU, as well as additional funds subscribed by members, would constitute the resources of the new fund. These resources would supplement credits available from the Inter-

national Monetary Fund, which in themselves would not be adequate for the large-scale operations that might be necessary.

In preparing for general currency convertibility, the OEEC has pursued the correlative objective of the relaxation of barriers to the mutual trade of its members. From the beginning, OEEC has worked on the principle that restoration of convertibility and relaxation of quantitative restrictions originally adopted for balance-of-payments reasons should go hand in hand. Most of the OEEC countries have removed quantitative restrictions on the greater part of their trade with each other,[7] and a few have applied the same degree of trade liberalization to imports from the dollar area as they apply to imports from other OEEC countries. Although the removal of restrictions on both nondollar and dollar imports has proceeded at an uneven rate among the OEEC countries, on the whole imports into Europe in 1954–55 were less restricted by licenses, quotas, and prohibitions than during any earlier period since the beginning of the postwar efforts to restore trade to a multilateral basis. Although balance-of-payments considerations have continued to dictate widespread discrimination against dollar imports, the amount of such imports restricted by quota and licensing requirements has declined greatly since 1953.

In early 1955, the only OEEC countries that still maintained quantitative restrictions on all dollar imports were Austria, France, Norway, Portugal,[8] and Turkey. Even these countries appear to have been fairly liberal in administering their controls on imports from dollar sources. They have not, however, always been as liberal—with respect to certain commodities—as their dollar position seemed to justify.

As their balance-of-payments positions in dollars improved and as their gold and dollar reserves increased, most of the OEEC countries voluntarily relaxed their quantitative restrictions on dollar goods. In only a few instances did they relax their restrictions on particular commodities because of the special insistence of the United States, Canada, or other hard-currency countries. Self-interest—particularly the desire to prepare as rapidly as possible for the return to currency convertibility—generally dictated the relaxation of the restrictions.

[7] As of March 15, 1954, Belgium-Luxembourg, Denmark, the Federal Republic of Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Sweden, Switzerland, and the United Kingdom had removed quantitative restrictions from 75 percent or more of their private imports from other OEEC countries, and some of these countries had liberalized more than 90 percent. Austria, France, and Iceland had much lower percentages of liberalization on OEEC imports at this time, but subsequently increased their percentages, as did some of the countries which already exceeded 75-percent liberalization. Turkey had completely withdrawn its liberalization measures in 1953. See *Operation of the Trade Agreements Program* (sixth and seventh reports), ch. 5, for a discussion of trade-liberalization measures taken by the OEEC countries since the establishment of the European Payments Union in 1950, together with a review of the operation of the Payments Union.

[8] The United States is not a party to any trade agreement with Portugal, either under the General Agreement on Tariffs and Trade or on a bilateral basis.

Several countries considerably relaxed their restrictions on dollar imports in 1953-54, and consequently there was less scope for action in this respect during 1954-55. For example, in 1953-54 the three Benelux countries—Belgium, Luxembourg, and the Netherlands—eliminated almost all of their discriminatory treatment of dollar goods by extending the same degree of import liberalization to imports from the dollar area as to those from OEEC countries. In 1954-55, they further relaxed their exchange controls. Complete elimination of these controls by the Benelux countries awaits primarily the reestablishment of convertibility of other national currencies.

After the 50-percent devaluation of its currency in April 1953, Greece removed its quantitative restrictions on virtually all imports, and eliminated its multiple-currency practices. Except for the relatively small amount of trade represented by the commodities still under restriction, Greece by early 1953 had eliminated its discriminatory treatment of imports, and thereby had placed most dollar goods on a competitive basis with goods from nondollar sources. The resulting automatic increase in its ad valorem rates of duty and the comparable upward adjustments in its specific rates of duty that took place immediately after the devaluation made it easier to dispense with quantitative restrictions, and Greece continued in 1954-55 to adhere to the policy of making little use of such restrictions.[9] Instead, Greece centered its attention mainly on internal credit controls as a means of discouraging certain imports.

By the end of 1954, Switzerland's liberalization of dollar imports from quantitative restrictions had reached 98 percent, compared with 86 percent for the Benelux countries and about 60 percent for West Germany. Switzerland employs few of the trade restrictions that other European countries utilize. It has no overall system of exchange control, although exchange transactions actually are controlled with respect to countries with which Switzerland has bilateral trade and payments agreements and with respect to countries that restrict their own payments. Switzerland maintains full currency convertibility for residents, and actually could maintain it for nonresidents, but has refrained from adopting convertibility because of the lack of full convertibility in other countries. In general, Switzerland's trade controls represent standby arrangements that are kept in force for bargaining purposes and for dealing with special circumstances. Import licenses are granted without quantitative restrictions (quotas) for all except a few commodities that are subject to control, including particularly certain agricultural imports.

During 1954-55 no important new developments with respect to quantitative restrictions on imports from the dollar area occurred in France, Iceland, Norway, and Turkey. Developments with respect to the United

[9] Greece has been in the rather unusual position of having greater payments difficulties in relation to European countries than in relation to the dollar area.

Kingdom are discussed in the section of this chapter on the sterling area. Some OEEC countries that had been slow to remove quantitative restrictions on dollar goods in 1953–54—notably Austria, Denmark, Italy, and Sweden—made some progress in this direction during 1954–55, or were preparing to relax restrictions. In line with its policy in 1953–54, the Federal Republic of Germany continued its wide-scale liberalization of dollar imports. The developments with respect to the five countries last mentioned are discussed below.

Austria

Austria did little more in 1954–55 than in 1953–54 to remove quantitative restrictions on imports from the dollar area, although it appeared to be preparing to accord more liberal treatment to dollar goods. In 1953–54 Austria had shown a decided unwillingness to relax its restrictions on dollar imports, despite a period of prosperity and an improvement in its external financial position, including a betterment of its gold and dollar position. Rather, Austria's relaxation of trade restrictions and exchange controls was more favorable to other OEEC countries, with which it conducts most of its trade. United States protests to Austria against discriminatory treatment of dollar imports—which the United States regarded as unjustified in view of Austria's greatly improved dollar position, which in turn was due in considerable degree to United States financial aid—brought some relaxation of the licensing restrictions on specific commodities before the middle of 1954.

During the ensuing year it was reported that Austria planned to relax restrictions on imports from the dollar area considerably, but no extensive improvement occurred during the period covered by this report. The only instance since World War II in which Austria completely freed the importation of a United States product from quantitative restrictions occurred in October 1954, when it removed the restrictions from imports of United States automobiles, and made available the dollar exchange necessary to pay for them. At the same time, Austria considerably reduced the duty on imports of automobiles. As of December 1, 1954, Austria further increased the percentage of liberalization of its imports from OEEC countries from 75 percent to 83 percent. This and earlier liberalization measures that affected imports from OEEC countries induced Austrian importers to give preference to imports from these countries, so that total imports from the OEEC area increased.

Denmark

During 1953–54 Denmark administratively relaxed some of its severe quantitative restrictions on imports from the dollar area, but not to the extent that seemed warranted by its dollar position. During that year it issued import licenses liberally for a considerable number of dollar raw materials and semimanufactures required by Danish producers, but this

action was administrative in character, and did not represent a complete removal of the restrictions on such imports.

In 1954–55, however, Denmark gradually removed the licensing requirements applicable to a wide range of dollar commodities.[10] At first, in December 1954, it began to grant licenses freely—on an administrative basis—for imports on which it expected shortly to remove licensing requirements entirely. In February 1955, Denmark published a list of commodities that could be imported freely—that is, without license—from the dollar area or from OEEC countries, and another list of commodities that could be imported without license from OEEC countries only. It was estimated that, by this action, Denmark removed licensing requirements for about 38 percent of all its imports from the dollar area (1953 basis). In addition, Denmark listed a number of commodities for which licenses were to be granted liberally for imports from dollar and OEEC areas, and a number for which licenses would be granted liberally for imports from OEEC countries only. The import-license requirement for commodities on these two lists was retained.

Denmark was able to relax its restrictions on dollar imports because Danish exports to the dollar area had been increasing rapidly for many months, as a result of which its dollar balance had increased. However, the country's total foreign-exchange position was far from satisfactory, and it continued to deteriorate. In March 1955, in an effort to improve the country's foreign-exchange position, Denmark adopted a number of new fiscal measures designed to curtail consumer purchasing; these measures included new sales taxes and higher import duties on a number of consumer goods. In addition, Denmark has at various times adopted measures to restrict bank credit, curtailed public and private building activities, and reduced defense expenditures—all with a view to combating its foreign-exchange crisis.

Federal Republic of Germany

The progress that West Germany has made toward currency convertibility and in relaxing its restrictions on dollar and nondollar imports has been particularly striking. In November 1954 and May 1955, West Germany took additional action, beyond that taken before mid-1954, to relax its quantitative restrictions on dollar imports.

In November 1954, the Federal Republic added 1,800 commodities to a previous list of 2,000 items that could be imported into West Germany from dollar countries without quantitative restriction (the previous list of 2,000 items resulted from a liberalization in February 1954). In May

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[10] The principal items of interest to the United States on which Danish import restrictions were relaxed included unmanufactured tobacco; cotton; asphalt; lumber; paper; many chemicals; various tools and instruments; sewing machines; agricultural machinery; textiles; textile machines; printing, packing, and other machines; machine tools; and certain classes of transformers.

1955, 600 additional commodities, including about 100 agricultural and food products, were added to the list of commodities freed of quantitative restrictions when imported from dollar sources. Thus, between February 1954 and May 1955, a total of 4,400 dollar commodities out of about 6,000 items in the West German tariff schedule were freed from quantitative restrictions. Between these two dates West German imports from the dollar area, calculated on a monthly average basis, increased about 60 percent above the monthly average for 1953. Discriminatory restrictions by West Germany on imports of coal from the United States had led to complaints by the United States in 1953–54,[11] but the grounds for these complaints declined as West Germany increased its import quota for United States coal in 1954 and again in 1955.

The above-mentioned moves by the Federal Republic to relax restrictions on dollar imports were largely voluntary, and reflected the Government's belief that the additional competition from dollar imports would stimulate and benefit the country's economy. The objective of the Government is to achieve the same level of liberalization from quantitative restrictions for imports from the dollar area as for imports from OEEC countries.

West Germany's foreign-exchange holdings have continued to increase despite the relaxation of import restrictions and exchange-control regulations. The increase in gold and dollars has been particularly noteworthy; late in 1954 about 75 percent of West Germany's foreign-exchange reserves consisted of gold and dollars, compared with 60 percent at the end of 1953.

Italy

Soon after the European Payments Union began operations in July 1950, Italy—which had heavy surpluses with the Payments Union—removed virtually all its quantitative restrictions on imports from other OEEC countries. Even when it subsequently became a debtor to EPU, and when other countries imposed severe quota restrictions on imports of Italian goods, Italy did not reimpose these quantitative restrictions. On the other hand, Italy long required licensing for all imports from the dollar area, except for about 65 commodities that were regarded as essential and that were not available except in dollar countries. The United States repeatedly insisted that the Italian restrictions were not justified in the light of the steady improvement in Italy's dollar position, but the Italian Government did nothing on a substantial scale to relax restrictions on dollar goods until August 1954. At that time Italy added some 500 commodities—almost entirely raw materials and semimanufactures—to its existing short list of liberalized imports (those not requiring a validated import license) from the dollar area. The principal items on the new list that were of interest to the United States were coal and

[11] See *Operation of the Trade Agreements Program* (seventh report), p. 161.

derivatives, oil and derivatives, and ferrous and nonferrous ores. Cotton and wheat, which constitute the two largest single import items from the United States, were not on the list.

In May 1955, however, Italy entered into an agreement with the United States to purchase about 50 million dollars' worth of surplus United States commodities, including cotton, wheat, and tobacco. Payment for these commodities is to be made in Italian currency. From the total funds thus made available to the United States, an amount equivalent to 20 million dollars is to be set aside for the procurement in Italy of goods and services for United States aid programs in other countries, for meeting administrative expenses incurred in Italy by the United States Government, and for the purchase in Italy of strategic materials for the United States. The remaining funds in lire (equivalent to 30 million dollars) are to be loaned to the Italian Government for 40 years, for use in promoting development projects in Italy.

Italian officials expressed the view in 1954 that full convertibility for the lira was still quite distant, but that a limited form of convertibility might be undertaken in cooperation with other OEEC countries. In recent years, the great bulk of Italian trade has been with OEEC countries.

Sweden

Until 1954 Sweden did not consider its dollar position strong enough to justify any extensive relaxation of its quantitative restrictions on imports from the dollar area. From 1947 until 1954, Sweden had maintained severe restrictions on dollar imports; it had given priority to imports of essential raw materials, fuel, and capital goods, and had permitted United States manufactured goods only limited access to the Swedish market.

Sweden's relaxation of import restrictions on dollar goods in 1954 was officially represented as a preliminary step toward the expected return to freely convertible currencies. Effective October 1, 1954, licensing requirements were entirely removed for purchases in dollar countries against payment in United States dollars; the commodities affected covered about 45 percent of total Swedish imports in 1953. This new dollar "free list" (that is, list of commodities free of restrictions), which included certain raw materials, semimanufactures, and a large number of finished goods,[12] includes a majority of the commodities on which Sweden had granted concessions to the United States in the General Agreement on Tariffs and Trade.

On another, a so-called transit-dollar, list (which includes tobacco and tobacco products, fresh fruits, coal and coke, tires and tubes for auto-

[12] Included in the dollar free list were almost all chemical products, all hides and skins, rubber products, wood products, all paper except newsprint, textile raw materials, hats, shoes, all iron and steel manufactures, most types of machines and apparatus, musical instruments, dried fruit, canned fish, and rice.

mobile assembly, and numerous other products), Sweden arranged to issue licenses freely for goods originating in the dollar area under certain conditions with regard to payment. Payment for these listed dollar goods purchased in nondollar countries must be made in dollars obtained through triangular transactions with nondollar countries. If the listed dollar goods are purchased in dollar countries, payment is made in "transit dollars," that is, in dollars obtained from Swedish commercial banks at a premium. Later in 1954, automobiles and some other commodities were added to the transit-dollar list. In January 1955 a few materials (including asbestos, bauxite, gypsum, mica, and cement) were transferred from the transit-dollar list to the dollar import free list. After the removal or relaxation of the restrictions mentioned above, imports into Sweden from the dollar area increased considerably.

The Sterling Area

Although the total balance-of-payments surplus and the gold and dollar holdings of the countries of the sterling area declined sharply in the second half of 1954,[13] most of these countries nevertheless continued to relax their quantitative restrictions on imports from both the soft-currency countries and the dollar countries. The principal developments in certain of the sterling-area countries are summarized below.

The United Kingdom

The maintenance of its gold and dollar reserves at a level high enough to warrant a new attempt at currency convertibility—without the dangers which made the 1947 attempt a failure—is the ever-present concern of the United Kingdom. The high level of the United Kingdom's reserves in 1953 and early 1954 led to the general feeling in the United Kingdom and other countries that convertibility could be undertaken in the near future. In the second half of 1954 and early 1955 the situation with respect to the United Kindgom's balance of payments and its gold and dollar reserves deteriorated badly, so that the prospect for convertibility was again retarded. Fear of adding to the United Kingdom's

[13] The total sterling-area balance-of-payments surplus with the rest of the world (not counting defense aid) deteriorated from 325 million pounds sterling in 1953 to 7 million pounds (preliminary estimate) in 1954. Of this decline of 318 million pounds, the United Kingdom accounted for 153 million pounds (from a surplus of 44 million pounds in 1953 to a deficit of 109 million pounds in 1954), and the rest of the sterling area accounted for 165 million pounds (from a surplus of 281 million pounds to a surplus of 116 million pounds). Most of the deterioration occurred in the second half of 1954. The United Kingdom's holdings of gold and United States and Canadian dollars increased from 2,518 million dollars in December 1953 to 3,017 million in June 1954; by December 1954 they had declined to 2,762 million, and by June 1955 to 2,680 million. For external financing and the strengthening of its reserves, the United Kingdom had available 160 million pounds sterling (current surplus plus defense aid) in 1954, compared with 217 million pounds in 1953. Gold reserves absorbed 87 million pounds in 1954, compared with 240 million pounds in 1953.

dollar-import liability increased rather than slackened. Nevertheless, the United Kingdom continued its policy of gradually removing restrictions on dollar imports; at the same time it sought to discourage an increase in imports, and even to reduce them, by adopting more stringent controls on internal credit.

As of early 1955, the United Kingdom still virtually prohibited imports of consumer goods requiring dollar payment. A wide range of consumer goods is admitted from the dollar area under the British token-import plan, but the quantities remain very small, despite frequent extensions of the plan.[14] During 1954 some relaxation—in the form of larger quotas—was permitted on commodities not covered by the token-import plan, such as coffee, machinery, chemicals, newsprint, woodpulp, and tobacco. Many raw materials still are subject to severe import restrictions, or resale restrictions. These restrictions apply particularly to dollar commodities that are traded on the commodity markets (such as cotton, grain, and vegetable oils) and that cannot be sold abroad by United Kingdom traders except for dollars. Imports of minor raw materials, semifinished textiles, special types of steel, and dyestuffs are among those that are restricted by quota limitations.

During the second half of 1954 the United Kingdom relaxed its import restrictions on a number of dollar commodities, but it did so only in the light of its existing or prospective balance-of-payments position. The Board of Trade promised favorable consideration of applications for licenses to import machinery from the dollar area provided it was convinced that such imports would reduce domestic costs and that similar machinery was not available from nondollar sources. More favorable consideration also was to be given to applications to import certain chemicals from the dollar area if such chemicals were not available from domestic sources. After announcing that canned salmon would revert to private purchase, the United Kingdom permitted private imports of canned salmon from the United States and Canada subject to specific licenses issued under an unallocated quota, effective October 1, 1954. In August 1954 restrictions were eased on the importation from the dollar area of plywood and certain other boards manufactured from softwood. Open individual import licenses for these products were made valid without limit as to quantity, value, or period of validity. In December 1954 the United Kingdom amended its import-licensing restrictions on various fiber boards by mak-

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[14] The British token-import plan was established with the United States in 1946 to enable eligible United States manufacturers or firms to export to the United Kingdom token shipments of specified commodities, the importation of which from dollar sources is generally prohibited. Definite quotas are established for each commodity or group of commodities. The plan was extended through 1955 on the same general basis as for 1954, but a few items previously dropped from the list of token-import commodities were restored for 1955. There also was some expansion in the type of firm eligible to participate in the plan.

ing such imports admissible from any source, including the United States, without individual licenses.

United Kingdom restrictions on dollar imports were further relaxed in the first half of 1955, but such relaxations, like those of 1954, were limited to only a few special products. An additional quota for hardwood from the dollar area was announced in January 1955. The reopening of the London copra market to private traders was announced early in 1955 (under arrangements similar to those already in effect for rubber, lead, zinc, tin, and copper); United Kingdom traders thus became eligible to purchase copra for dollars or any other currency, and to resell it for sterling. This action was regarded as an exchange-control relaxation of some importance, because it permits United Kingdom traders to buy copra for dollars in the Philippines—which is a dollar country—and to resell it for dollars in the United States.

Beginning in April 1955 certain hides and skins, cotton linters, certain unwrought ferroalloys, and certain naval stores could be imported freely into the United Kingdom from any country without regard to licensing procedures. About the same time new and more liberal arrangements were announced for licensing the importation of lard from all countries. Lard originating in the sterling area could now be imported freely without licensing. Lard from all other sources could be imported under open individual license, although imports of lard originating in the United States were made subject to the condition that licenses for such lard would be honored only at such time as funds of the United States Mutual Security Agency (MSA) were no longer available for the purchase of lard direct from the United States. That is, license holders would be required to purchase United States lard under MSA procurement authorizations until all such authorizations were used up, after which they would be able to purchase it when consigned from any country.

Arrangements affecting United Kingdom purchases of United States surplus agricultural commodities under the Mutual Security Act of 1953 also were made early in 1955. Purchases in specified dollar totals were authorized for a number of commodities, including tobacco, prunes, lard, cottonseed oil, certain canned fruits, certain fruit juices, cooked poultry, and beef. Licenses are granted for the importation of these commodities, with validity for a specified period of time, in order to control their distribution. The United Kingdom also concluded a new agreement with the United States to import 250,000 tons of coal from the United States against payment in sterling, an arrangment that makes it possible for the United Kingdom to purchase the coal without drawing on its existing dollar resources. The purchases are authorized under the Mutual Security Act, which specifies that the sterling received by the United States will be used to make such purchases as may be agreed upon between the two Governments

In May 1955 the United Kingdom further relaxed the restrictions on a number of imports from nonsterling, nondollar countries; this relaxation principally affected its trade with other OEEC countries. The relaxation—on most iron and steel products not previously freed of restrictions, on hops, phosphate fertilizers, certain chemicals, and some minor machinery items—was made by shifting these commodities from the list of commodities subject to individual licensing (or licensing under quotas agreed to in bilateral trade agreements) to open general license, covered by global quotas. The effect of this change was to increase the United Kingdom's liberalization of OEEC imports to 85 percent.

Other sterling-area countries

During 1954–55 the trend in most of the overseas sterling countries was toward a general relaxation of quantitative restrictions on their imports from all countries, including the dollar countries. The outstanding exception to this more liberal policy was Australia; despite its general objective of eliminating such restrictions, Australia felt obliged by external financial reversals and poorer prospects to restrict imports still further. The other sterling-area countries generally were able to relax restrictions because of an improvement in their foreign balances and in their foreign-exchange reserves. Ceylon adhered closely to its policy of regulating imports mainly by increasing or lowering import duties. The outstanding changes during 1954–55 in the application of nontariff import controls by Australia, Burma, New Zealand, Pakistan, India, the Federation of Rhodesia and Nyasaland, and the Union of South Africa are discussed below.

Australia.—In view of the prospect that imports in 1954–55 would be much greater than they were in 1953–54—with a resulting further deterioration in its balance of payments unless steps were taken to curb the trend—Australia tightened its import restrictions on October 1, 1954; it further tightened them on April 1, 1955. The Government emphasized that the more stringent restrictions were not intended to be a substitute for, or an adjunct to, protective tariffs, but were necessary solely because of the balance-of-payments deficit. Australia was anxious not to give the impression that it had abandoned its policy of abolishing its import restrictions—a policy that it (and the other Commonwealth countries) had adopted in 1952.

Under the Australian system of quantitative restrictions and exchange control, the importation of all commodities is prohibited except under license. Licenses issued for imports from the dollar area are restricted to goods classified as essential, including raw materials, industrial supplies, and capital equipment. Licenses for imports from all other countries are granted freely for certain commodities, such as those regarded as essential. For other commodities licenses are issued either on a quota basis, or on a "no quota" basis (licensable without restriction), subject to administrative

decision (for example, machinery and capital equipment for which control by quota is inappropriate).

Early in 1954 most of the commodities listed under the special classification of essential goods were transferred to the no-quota basis and the remaining few, to an administrative basis; the former special classification of essential items was deleted from the import-licensing schedule. It soon developed, however, that under this liberalization measure some importers were overbuying (speculative stockpiling) goods placed in the no-quota category. Effective October 1, 1954, therefore, the Government again placed some of the goods on a quota basis; these goods included unassembled automobiles, unmanufactured tobacco, carpets, chemicals, certain steel products, machinery, machine tools, and sewing machines. The new quotas on these goods, however, were somewhat larger than they had been before April 1, 1954, when the quotas on them were removed. Commodities such as raw cotton, crude rubber, nitrate of soda, and rock phosphates continued to be licensed administratively on a no-quota basis. Although the restrictions were introduced on October 1, 1954, they were not expected to reduce the volume of imports appreciably until after the middle of 1955—that is, until after orders placed abroad under the previous and more liberal licensing arrangements were filled.

The additional restrictions on Australian imports that became effective on April 1, 1955—the beginning of the new licensing year—were ordered because of a further deterioration in Australia's trade balance and foreign-exchange reserves. Quotas were reduced on those goods subject to quota, so that total spending on imports in the more essential category was reduced by 15 percent, and on those in the less essential categories, by one-third. Imports subject to administrative control (those on a no-quota basis) were reduced by 20 percent. Moreover, import licenses were to be issued on nondollar goods on a quarterly basis instead of on a 6-month basis, as they formerly were; licenses for dollar goods continued to be severely controlled within a quarterly exchange budget. As there was no change in the existing tight restrictions on dollar imports, the effect of the increased restrictions—although they were applicable to nondollar goods in general—was concentrated mainly on imports from the United Kingdom.

Burma.—Burma's program of internal economic development calls for a continuing heavy flow of imports of capital goods, in addition to the regular types of consumer goods required by the retail trade. Exports of rice are, for Burma, the principal source of foreign exchange. The general policy of the Burmese Government is not to restrict imports of goods that are required for the country's program of rehabilitation and reconstruction, and not to be particularly concerned if there is a budgetary deficit while the program is in process. Burma depends mainly on

foreign loans for its developmental program; it regards any deterioration that may develop in its external-payments position and in its foreign-exchange reserves as a normal accompaniment of building up the national economy.

Despite this attitude, Burma does restrict some imports when its external-payments position deteriorates badly—as it did in the latter part of 1954 and early 1955—or when it wishes to curb speculative activity in foreign buying. In March 1955 Burma acted to curb importers who had placed orders abroad far in excess of those that the Government regarded as necessary for the country's requirements. The action consisted of ordering a 50-percent reduction in all outstanding import licenses, except those for goods intended for industrial purposes or for private or personal use. The Government also suspended all open general import licenses and, instead, required individual import licenses. It soon modified these orders, however, by exempting holders of hard-currency import licenses from the earlier ruling that permitted only a 50-percent utilization of outstanding licenses, and reestablished open general licenses for imports of 35 commodities from countries other than Communist China and dollar countries. The original restrictive measures were further liberalized when the Government decided that the sharp business practices which prompted the restrictions had been sufficiently curbed.

New Zealand.—In 1952 New Zealand abolished import licensing for most imports from soft-currency countries but, in order to control imports from these countries, introduced a system of exchange allocations. Under this system importers were granted an annual basic allocation of foreign exchange that they could use freely, subject to obtaining import licenses when such licenses were required. The allocations were increased from time to time. Application was required for exchange in excess of the basic allocation. Import licenses were required for imports from soft-currency sources of goods competitive with New Zealand products; for virtually all imports from the dollar area, from Eastern European countries, and from some other countries; and for most automobiles regardless of source. Additions were frequently made to the list of items that could be imported without license from soft-currency and hard-currency sources.

During 1954 New Zealand's external financial position improved to such an extent that the Government decided to abolish—effective at the end of the year—the system of exchange allocation described above. Licensing was retained for imports from soft-currency countries of goods that are competitive with New Zealand products, and for imports of automobiles from all countries. The list of goods free of licensing regardless of origin—including numerous manufactured products of interest to United States exporters—was expanded at various times during 1954. Early in 1954 it appeared to be New Zealand's intention to permit a wider

range of imports from the dollar area than had been possible under the former system of rigid controls—a system that had led to a denial of licenses for dollar imports if the goods could be obtained from nondollar sources. However, diminished export earnings and increased expenditures for imports later in 1954 led to unusually high monthly deficits in New Zealand's balance of payments. Although this situation prompted the Government to force a restriction of commercial credit, it did not seem to indicate any immediate change in New Zealand's policy of continuing to relax import restrictions.

India.—India's new policy of regulating imports by the use of tariffs rather than by the use of quantitative restrictions was implemented at various times during 1954–55.[15] As a rule the duties were increased on items on which quotas were enlarged, but in some instances the increased quotas were accompanied by no changes in duties or by a reduction of the duties. In a few instances quotas were entirely removed when the increased duties were applied. India maintains separate quotas for some commodities imported from soft-currency countries and for other commodities imported from hard-currency countries; for still other commodities, it maintains quotas open to all sources.

For the second half of 1954, India enlarged its import quotas for about 60 commodities from all sources, and reduced the quotas for about 38 items. The increases in quotas for dollar imports—plus the establishment of small quotas on a few items formerly not importable from the dollar area—were largely offset by lower quotas for other items. A number of commodities were kept under open general license until September 30, 1954; this action permitted importers to import freely without applying for individual licenses. Later in 1954, India established some new open general licenses for imports from soft-currency countries—effective through September 30, 1955—to replace those that had expired on September 30, 1954. It also established a new open general license, permitting unrestricted imports from all countries except the Union of South Africa; however, a number of items that were formerly on this schedule were removed from the provisions of open general licensing, and two were added. All except one of the items removed could still be imported from the dollar area under individual licenses. Import duties were increased on several of the items and lowered on a few others.

India's import program for the first half of 1955 provided for an overall increase in imports. Larger quotas were established for several essential items from the dollar area, and quotas were established for a few dollar items that had not previously been under quota. Holders of soft-currency licenses for some commodities were permitted to use part of their quota for imports from dollar countries. The removal of a few items from open general licensing, and the reduction of quotas on a number of com-

[15] See the later discussion of Indian tariff changes.

modities from both hard-currency and soft-currency areas, still left India's general import policy for the first half of 1955 more liberal than it had been in 1954. Some quotas were reduced for frankly protectionist reasons, including those on woolen fabrics, certain drugs and medicines, certain motor vehicle parts, and certain chemicals.

In 1954 and 1955 India also increased its export quotas on tea, peanuts, raw wool, and several other important export commodities; some export duties were reduced. These actions were in line with India's stated policy of augmenting its foreign-exchange resources by more liberal and aggressive export policies, which in turn would permit a continuation of its more liberal import policy.

Pakistan.—In announcing its import program for the second half of 1954, Pakistan added a few items to the list of goods that might be imported under license from the dollar area, including asbestos sheets and manufactures, office equipment, some mineral oils, new automobiles, unmanufactured tobacco, and secondhand clothing. On the other hand, it deleted a few items that formerly could be imported from dollar sources, including electric lamps, parts of household refrigerators, marine diesel engines, internal combustion engines for road vehicles, and fountain pens. On the whole, these changes represented little alteration in Pakistan's policy of severely restricting imports, especially those from the dollar area. During the period July–December 1954, only 55 items were licensable from dollar sources and approximately 270, from nondollar sources.

Pakistan's treatment of dollar imports during the first half of 1955, however, represented a great improvement over that in the preceding 6-month period. The distinction between the dollar area and the nondollar area as sources of imports was abolished, except with respect to some items specifically listed in bilateral trade agreements with France and Japan that were to be imported from these countries. The new list contains 311 items that may be imported from any source without discrimination. The list includes some of the items that had been deleted from the import list in 1954, as well as a considerable variety of other industrial equipment and consumer goods.

Pakistan has concluded special arrangements with the United States for commodities imported under the American-aid program. Special import permits are granted for imports of these goods; instead of paying for the goods in foreign exchange, importers pay for them in rupees that are deposited in special accounts in the State Bank of Pakistan. Commodities that may be imported under the aid program include iron and steel, chemicals, machinery and machinery parts, lubricants, vegetable oils, airplanes, jeeps, parts for motor vehicles, refrigerators, drugs and medicines, dyes, raw cotton, raw wool, raw tobacco, and a variety of cotton products.

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In June 1954, Pakistan introduced a special export incentive plan—later somewhat modified—whereby exporters of specified commodities are permitted to retain between 20 and 30 percent of their foreign-exchange receipts for use in payment for certain imports. The plan, which was to remain in force until March 31, 1955, was intended to promote exports for which it was difficult to find a foreign market, such as rosin, turpentine, tobacco, feathers, and pottery. Commodities not included in the list of products eligible for this plan were jute, cotton, wool, hides and skins, and tea.

Federation of Rhodesia and Nyasaland.—The Federation of Rhodesia and Nyasaland imposes no restrictions on imports from countries of the sterling area; its system of import controls applies only to nonsterling countries. Effective July 1, 1954, the Federation significantly relaxed its quantitative restrictions on imports from the dollar area and other nonsterling sources. It placed many commodities that were formerly subject to nonsterling exchange quotas on two lists; one list consists of goods that may be imported freely from any nonsterling source and the other, of goods that may be imported only from designated OEEC countries. Items on these lists remain subject to license, but are licensed freely. For items still subject to nonsterling currency quotas, the Federation established new exchange allocations for the second half of 1954.

For the first 6 months of 1955, the Federation further relaxed its import restrictions. A number of commodities, including steel, agricultural machinery, and photographic equipment, were added to the list of goods that may be imported from any country without exchange-quota restrictions, although they are still subject to license. The allocation of total dollar exchange for imports from the dollar area, although only about 30 percent as large as that for the second half of 1954, was somewhat greater than the amount actually imported from the dollar area during July–December 1954. Smaller exchange allocations also were made for imports from nondollar, nonsterling sources.

Union of South Africa.—South Africa removed its discriminations against imports from the dollar area in 1953, but continues to restrict total imports to a level that will not place too great a strain on its foreign-exchange reserves. It follows the policy of removing quantitative import restrictions gradually and on a selective basis, while still retaining the overall machinery of import control so that the restrictions may be quickly relaxed or tightened, depending on the country's foreign-exchange position. Import controls are maintained, at least to some extent, because of the Government's fear that it would be disastrous to a large sector of domestic industry if the protection afforded by the controls were removed rapidly.

South Africa's gold and foreign-exchange reserves increased substantially during 1954 and the first half of 1955. Although imports of merchandise increased in 1954, the increase was more than offset by increased gold production, increased merchandise exports, and an increased inflow of foreign capital. In view of the improvement in its reserves and foreign balances, South Africa early in July 1954 increased the foreign-exchange allocations for consumer goods then held by South African importers. Originally, exchange quotas for consumer goods had been fixed at 25 percent of imports in 1948; in March 1954, they were increased to 40 percent, and in July 1954, to 45 percent. For the fiscal year beginning April 1, 1955, the exchange quota for consumer goods was increased to 53⅓ percent of imports in 1948. Additional exchange quotas also were granted in July 1954 for such nonconsumer goods as farm tractors and other farm machinery and spare parts for the motor-vehicle-assembly industry. The exchange quotas for these commodities also were further increased for the fiscal year beginning April 1, 1955.

In 1953 South Africa had established, in addition to its existing list of consumer goods for which import permits were issued, a "priorities" list that included a few consumer goods the importation of which it wished to encourage. Increased imports were encouraged by the use of an "exchange bonus" plan. Under this plan, importers who held import permits for consumer goods on the regular, or nonpriority, list were allowed to double their exchange allocations if they wished to import goods on the priorities list. That is, they were permitted to convert their regular consumer-goods permits to priority-list permits at the ratio (based on the value of the permits) of 1 South African pound to 2 pounds. In July 1954, South Africa added to the priority import list a considerable number of commodities that were in short supply, and the imports of which it wished to encourage by the exchange-bonus plan.

In November 1954, South Africa further relaxed its import restrictions by removing several items from the "prohibited" list and adding them to the list of goods that may be imported under permit; the items included all textile piece goods, toys, jewelry, blankets, rugs, shawls, radios, watches, and film projectors. Other items for which import permits were formerly required were placed on the list of goods for which no import permits were required (the "free" list). Additions to this list included raw wool, coffee, tea, cotton, and textile trimmings.

The further increases in exchange allocations for consumers' goods and industrial equipment for the fiscal year beginning April 1, 1955—which have already been mentioned—plus more liberal import licensing for other goods, were expected to make possible a large increase in the value of import licenses allocated for the year. Although increased imports were expected to result in a considerable decline in South Africa's gold and foreign-exchange reserves, the country's balance-of-payments posi-

tion was considered sufficiently strong to accommodate the decline without undue strain on the reserves. The removal of discrimination against dollar imports at the beginning of the fiscal year that ended March 31, 1954, did not appear to have resulted during that year in any marked shift to the importation of goods from the dollar area.

Nondollar Countries Other Than Countries in OEEC or the Sterling Area

During the period July 1, 1954, to June 30, 1955, the United States had trade agreements with 9 nondollar countries, exclusive of those that are members of the Organization for European Economic Cooperation or are in the sterling area. The 9 countries are Argentina, Iran, and Paraguay (countries with which the United States has bilateral trade agreements) and Brazil, Chile, Finland, Indonesia, Peru, and Uruguay (which are contracting parties to the General Agreement).[16] These countries are classified as nondollar countries because of their shortage of dollar exchange, which results in the imposition of restrictions on dollar payments. The restrictions, which vary greatly from country to country, reflect the fact that the currencies of these countries are not freely convertible into dollars. Although Peru's trade and payments are relatively free of restrictions, and although its currency has been described as substantially convertible,[17] Peru still falls short of being a dollar country in the sense that Venezuela, Cuba, and several other Latin American countries are dollar countries.

All of these nondollar countries—except Finland—operate multiple-exchange-rate systems.[18] The systems are particularly elaborate in Argentina, Brazil, Chile, Paraguay, and Uruguay, and in those countries the rates are frequently altered. Some of the countries rely more heavily than do others on differential exchange rates as a means of according preferential treatment to certain imports and exports. Peru maintains no quantitative restrictions on imports, except for automobiles, which are admitted on a quota basis. All the other countries apply quantitative

[16] Japan—also a nondollar country—did not become a contracting party to the General Agreement on Tariffs and Trade until September 10, 1955. Japan maintains restrictions on imports to protect its balance of payments, and discriminates between sources of supply as permitted under article XIV of the General Agreement. In its trade with the dollar area Japan does, however, adhere to the principle of nondiscrimination between countries within the area. Much of its trade with countries other than those in the dollar area is conducted on the basis of bilateral agreements. Its control over imports is exercised through the allocation of foreign exchange and through the issue of individual import licenses.

[17] International Monetary Fund, *Fifth Annual Report on Exchange Restrictions*, Washington, 1954.

[18] For transactions involving exchange for travelers, Finland has rates representing a premium of approximately 50 percent over the official rate, but for other transactions it has a single-rate structure.

restrictions to most commodities regardless of their origin. The types of restrictions employed vary considerably from country to country, but they all have much the same effect. Argentina requires exchange licenses and makes wide use of global quotas. Brazil requires import licenses for virtually all private imports, and grants such licenses freely to holders of exchange certificates that are purchased at auction; some private imports, and all public imports, are subject to different control regulations. Chile prohibits the importation of certain luxury goods and goods of a type produced in Chile. All permitted imports are subject to license and to individual quotas; the quotas are fixed on the basis of the exchange available. Finland allocates import licenses to individual importers on the basis of past imports. Indonesia requires a combined import and exchange license; it also makes other demands on importers, including payment of an advance deposit for the exchange requested and payment of a special import levy. Iran prohibits a long list of imports. Nonprohibited imports are subject to license and proof that payment will be made according to regulations. Iran formerly placed exchange quota limitations on permitted imports, but removed these limitations in December 1954. Paraguay requires, for all imports, an exchange contract which is, in effect, an import and exchange license; the importation of items listed as nonessential is restricted. Uruguay requires licenses for virtually all imports, and fixes global exchange quotas for various currencies according to their availability.

In this report no attempt is made—except for Brazil and Chile—to review in detail the developments that occurred during 1954–55 in these nondollar countries with respect to changes in exchange rates and quantitative import restrictions. In general, these countries made little change in their policies of severely restricting imports from the dollar area and from other areas with which they were experiencing exchange difficulties. Some of the more important developments in Finland, Peru, and Uruguay are noted briefly below.

During the first half of 1955, Finland relaxed a few of its restrictions on such dollar imports as tobacco and oil, but tightened those on imports of automobiles; it was planning, however, to introduce further measures of trade liberalization. During 1954 Peru's imports from the dollar area declined as a result, in part, of unfavorable exchange rates. As its balance-of-payments position and its foreign-exchange reserves improved, Peru temporarily lifted its embargo on imports of automobiles and replaced the embargo with an import quota; it also relaxed somewhat its controls on import credits. Uruguay liberalized its import restrictions in 1954, and again early in 1955, by establishing quotas for various classes of goods. Substantial quotas were allocated to the United States and Canada and to certain nondollar countries, including the Soviet Union and other Communist countries. In some instances, where no exchange

was provided for imports from the United States—as for essential goods—exchange provided for imports from nondollar sources probably would be used for imports from the United States through "switch" operations.

Brazil

The nature of Brazil's import-control system is largely determined by its reliance on bilateral trade and payments agreements—arrangements that create barriers to multilateral trade and payments. Brazil's basic problem is inflation that has resulted from high internal spending and the continuous creation of bank credit. As long as this situation remains uncorrected, export sales require special stimulation and imports must be curbed. Multilateral trade is virtually impossible under these conditions, and consequently Brazil conducts its trade and payments on a bilateral basis. Multiple rates of exchange are employed as a principal means of trade control. Export proceeds in the various currencies must be surrendered to the authorities at specified rates of exchange, and payments to countries with which Brazil has payments agreements are made through special accounts. Payments to countries with which Brazil has no payments agreements are usually made in United States dollars or other freely convertible currencies. Import licenses are required for virtually all private imports as a prerequisite for obtaining a license to purchase the necessary exchange. Import licenses are granted freely to holders of exchange certificates purchased at auction; most imports are subject to the purchase of exchange certificates at auction, and these certificates are prerequisites for obtaining exchange at the official rate. Exchange is allocated for imports according to their degree of essentiality. Export licenses are required for all exports except exports of coffee, which require special authorization. Export licenses are granted without limitation except when payment is to be made in an inconvertible currency, or for certain other reasons.

Brazil relies principally on exports of coffee for its earnings of dollar exchange, but uses much of this exchange to purchase petroleum products. The country has long been at a great disadvantage because of the lack of sufficient dollar exchange to meet the heavy demand for it; consequently it maintains severe restrictions on imports of dollar and other hard-currency goods. Convertible-currency receipts expected to accrue in any half-year period are severely budgeted, and are allocated to the various categories of imports according to their degree of essentiality. A large part of the available exchange is sold to importers at auction in the form of dollar-exchange certificates. Dollar-exchange certificates sell at a high premium over the official rate of exchange; the premiums vary with the category of goods for which they are used. The amount of dollar-exchange certificates sold at auction is controlled by the Government, and any substantial variation in the amount sold is accompanied

by changes in the premium. The general tendency during 1954–55 was for the premiums to increase as the year progressed.

Early in 1955, Brazilian import- and export-licensing regulations were extended to June 30, 1956. In anticipation that it might decide to discontinue, in whole or in part, the system of auctioning exchange certificates that entitle holders to obtain import licenses, the Government established an alternative system that would permit some or all imports to be paid for with foreign exchange obtained in the free market.

In April 1955, Brazil made a slight concession to the principle of multilateralism, and moved away from its strict adherence to bilateralism, by officially recognizing switch transactions in a few commodities. These commodities—hog bristles, shellac, and certain gums and fibers—actually are imported by Brazil from European countries, although they originate elsewhere. The recognition of switch transactions is evidenced by the requirement that applications for import licenses for these articles must show the true country of origin, and must be accompanied by an exchange-commitment certificate for the currency of the country from which they are actually imported.

Chile

In its import program for 1954, Chile increased by 15 to 20 percent the number of commodities that were denied import permits. It provided, however, for the admission of prohibited items under certain specified conditions, such as proof that they are not available from domestic sources and proof that they are essential. Articles specified in international agreements were specifically excepted from the prohibition.[19]

As pointed out in the Commission's last report,[20] the United States had objected to the high degree of discrimination against United States goods that Chile's exchange-rate structure produced. The discrimination resulted from the fact that, whereas the banking rate for the free United States dollar (corresponding to the par value) was fixed at 110 pesos per dollar, the rates for other currencies were allowed to fluctuate, thus creating a multiplicity of effective cross rates for these currencies that were not related to the United States dollar-peso rate. On account of this rate structure, most nondollar currencies came to be quoted at rates equivalent to about 236 pesos to the dollar, and some as high as 250 pesos to the dollar. Since most of Chile's imports and exports of goods and services are at the fixed dollar rate or the fluctuating non-

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[19] See *Operation of the Trade Agreements Program* (seventh report), p. 206. The list of prohibited imports issued by Chile early in 1954 included iron ingots, special chemicals, wood of all classes, furniture of all kinds, rubber products, and many other products. The official reason given for the prohibitions was the serious decline in Chile's foreign-exchange reserves. Conditions are specified for the admission of items on the prohibited list, including proof that adequate domestic supplies are not available.

[20] See *Operation of the Trade Agreements Program* (seventh report), p. 193.

dollar rates, the ever-widening spread between these two sets of rates tended to divert an increasing share of Chile's export trade to nondollar countries. To a large extent this situation was corrected in November 1954, when Chile changed the banking rate from 110 pesos to 200 pesos per United States dollar,[21] and established a ceiling for the exchange rates for other currencies at the equivalent of 200 pesos per dollar. The removal of the artificial differential between dollar and nondollar exchange rates would, of course, tend to shift Chile's exports back to the dollar area, thus providing greater opportunity for the sale of dollar goods in Chile.

Early in 1955, Chile established a special fund for imports of certain essential commodities at a more depreciated rate of exchange than the free banking rate of 200 pesos per United States dollar. It also provided a special premium rate for certain marginal export commodities—that is, commodities for which it was difficult to find markets abroad. In its exchange budget for 1955 Chile made special provision for the repayment of accumulated arrears in its external payments, as well as the usual provisions for current imports. A total of about 425 million dollars (equivalent) was to be made available for imports, invisibles, and the settlement of pending obligations. This figure was somewhat smaller than the corresponding figure for 1954. In May 1955, Chile prohibited the importation of automobiles, except those imported by diplomats.

Dollar Countries

The United States has trade agreements with 10 countries that may be classified as dollar countries because their currencies are freely convertible into United States dollars. Five of the agreements—those with Ecuador, El Salvador, Guatemala, Honduras, and Venezuela—are on a bilateral basis; the agreements with Canada, Cuba, the Dominican Republic, Haiti, and Nicaragua were concluded under the General Agreement on Tariffs and Trade.

Although these countries have convertible currencies and therefore are not free—as are countries with inconvertible currencies—to apply quantitative restrictions for balance-of-payments reasons, some of them may nevertheless feel the need from time to time for measures to discourage imports in the interest of maintaining a closer degree of equilibrium in their foreign balances. For example, internal credit restrictions, by curbing inflationary tendencies, tend to restrict the demand for imports and to place or retain exports on a more competitive basis in

[21] Certain exchange operations were excepted from the 200-peso rate (as they also had been for the 110-peso rate), including special compensation arrangements with certain countries for specified groups of exports which have their own effective rates, also capital transactions and other invisible transactions not directly related to trade and some minor specified transactions effected through the free market.

foreign markets. Some countries restrict imports of certain commodities in the interest of conserving foreign exchange by ordering an increase in import duties; duties also are sometimes reduced when the foreign-exchange position appears to warrant the action. Measures designed to expand export income may, of course, reduce the necessity of curbing imports. Changes in tariff duties—whether for this reason or for other reasons—are discussed in the following section.

TARIFF CHANGES BY COUNTRIES WITH WHICH THE UNITED STATES HAS TRADE AGREEMENTS

The Commission's seventh report on the operation of the trade agreements program, which covered the period July 1953–June 1954, pointed out that no great change had taken place in the level or application of customs tariffs during 1953. As reported by the Contracting Parties to the General Agreement on Tariffs and Trade in *International Trade, 1953*,[22] there had been a distinct trend during 1952 toward the imposition of higher protective and fiscal duties in the unbound sectors of the tariffs of the contracting parties to the General Agreement and in the tariffs of other countries. In 1953 there were more increases in duties than there were reductions, but the tendency to increase the protective incidence of tariffs throughout the world was less pronounced than it was in 1952. During the early months of 1954, however, there appears to have been a resumption of the trend toward higher tariffs, although generally on a moderate scale. Many countries made selective adjustments in their rates of duty, but these adjustments did not substantially alter the general level of their tariffs.

In *International Trade, 1954*,[23] the Contracting Parties to the General Agreement reported that the general trend toward higher tariffs, noted in the earlier part of 1954, had continued throughout that year. The commitments of the contracting parties to maintain bound rates of duty or bindings of duty-free treatment were instrumental, as in previous years, in maintaining stability in the wide sector of customs tariffs covered by the General Agreement. In certain unbound items in the tariffs of contracting parties and other countries, however, there were important modifications in rates of duty. Most of these changes were increases in rates of duty designed to protect domestic producers from the effects of increased competition from imports, particularly those reflecting the "export drives" of many countries. In numerous instances, on the other hand, rates of duty were reduced to facilitate the importation of raw materials and industrial equipment by domestic producers—particularly those engaged in production for export.

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[22] Sales No.: GATT/1954–3, Geneva, 1954, pp. 85–90.

[23] Sales No.: GATT/1955–3, Geneva, 1955, pp. 95–105.

The situation with respect to tariff changes by individual countries may conveniently be reviewed by considering the countries, not on the basis of whether they are or are not contracting parties to the General Agreement, but on the basis of their association with other countries in the same groupings as were used in discussing quantitative restrictions and exchange controls, namely: (1) Western European countries that are members of the Organization for European Economic Cooperation (OEEC); (2) countries of the sterling area; (3) various nondollar countries (other than those in groups 1 and 2); and (4) dollar countries. Actually, the first two groups embrace most of the countries with which the United States has trade-agreement obligations under the General Agreement. For the purposes of this report, however, this fact is less important than is the fact that countries in the OEEC and the sterling area pursue much the same policies, largely on a cooperative basis, in trying to solve their trade and financial problems. The other nondollar countries have, in common with the countries of the European Payments Union and the sterling area, a shortage of dollar exchange. They are not, however, organized in any formal manner, as are the two groups just named, to handle their dollar problem on a cooperative basis. The dollar countries other than the United States—of which Canada is by far the most important in international trade—simply constitute a group of countries which do not have the balance-of-payments problems that the nondollar countries do.

The fact that a country did not increase its tariffs in 1954–55 or in other recent periods may in some instances reflect the existence of many rates of duty that are already so high as to be highly protective of domestic industry or even virtually prohibitive of imports. The trade affected by increases of duties in countries where the rates are low may be much less than the trade affected by the maintenance of existing high tariffs in other countries. Conversely, a considerable reduction of tariff rates that are already relatively high may mean less, as far as the amount of trade affected is concerned, than a slight reduction of low rates of duty. Therefore it is difficult to make generalizations about the tariff changes noted below, except to point out that there has been a general tendency during the past year toward tariff increases. The discussion concerning tariff changes in individual countries is intended to give a fair indication of the trend in each country without, however, undertaking to give many details regarding the extent of the changes.

Questions relating to adjustments in duties or other charges on imports that have been brought to the attention of the Contracting Parties to the General Agreement on Tariffs and Trade are discussed in chapter 3 of this report; references to these questions in the present chapter are mainly incidental to the discussion of related matters. The more difficult questions at issue before the Contracting Parties arose because certain countries had imposed taxes or other charges on imports in alleged

violation of the General Agreement. In some other instances the Contracting Parties were called upon to consider alterations in rates of duty bound in the agreement, such as applications for increases in rates to compensate for currency devaluations.

The OEEC Countries

The United States has trade agreements with 15 countries that are members of the Organization for European Economic Cooperation.[24] Seven of these countries—Austria, Denmark, Greece, Italy, Sweden, Switzerland, and Turkey—either have completed or have had under preparation major revisions of their tariff structures. Some of the revisions relate mainly to changes in tariff nomenclature. Turkey has already adopted the Brussels Nomenclature,[25] and Austria, Greece, Italy, and Switzerland have been revising their tariffs to conform more or less to this nomenclature. Changing to the Brussels Nomenclature does not necessarily involve major changes in tariff treatment. Most of the countries that have adopted that nomenclature, however, have instituted concurrently a large-scale shift from specific to ad valorem rates of duty. Such a shift requires authorization from other interested parties (from the Contracting Parties to the General Agreement for countries that participate in the agreement) when bound specific rates are changed to an ad valorem basis, in order to insure that the effective rates of duty will not be increased. Generally speaking, however, countries that undertake to shift their import duties from a specific to an ad valorem basis undertake at the same time to increase many of their rates of duty—for protectionist reasons, to compensate for changes in price levels and currency devaluations, or for revenue purposes. Although a country—whether or not it is undertaking a general tariff revision—is free to increase rates of duty that are not bound in trade agreements, it is not free to increase bound rates. Authorization to increase rates bound in the General Agreement must be obtained from the Contracting Parties. The same requirement applies to bindings of charges on imports other than import duties.

During 1954 and 1955, most European countries continued to make routine upward or downward adjustments in individual import duties, as

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[24] These countries are Austria, Belgium, Denmark, France, the Federal Republic of Germany, Greece, Iceland, Italy, Luxembourg, the Netherlands, Norway, Sweden, Switzerland, Turkey, and the United Kingdom. The United States has trade agreements under the General Agreement with all of these countries except Iceland and Switzerland; its agreements with Iceland and Switzerland are on a bilateral basis. Ireland and Portugal also are members of OEEC, but the United States has no trade agreement with either of these countries. The tariff changes of the United Kingdom are discussed in the section of this chapter on the sterling area.

[25] The Brussels Nomenclature is so called because it was prepared by an international committee that met in Brussels, Belgium, in 1949–50. The new nomenclature represents a systematic and common terminology to which existing national tariffs may be adapted.

they did in previous years. Those countries that were undertaking revisions of their tariff schedules did not wait for completion of the revisions before making—or seeking authorization to make—such changes in rates of duty as seemed to them urgent. For some of the OEEC countries, the actions reported as having been taken can be briefly stated. During 1954 or 1955, Belgium, Denmark, and the Netherlands increased some import taxes to compensate for internal taxes that are levied on similar domestically produced goods. The Benelux countries exempted a number of educational, scientific, or cultural items from import duties, in conformity with the obligation of members of the United Nations Educational, Scientific, and Cultural Organization (UNESCO) to accord duty-free entry to such goods. In Turkey's new tariff, which became effective in June 1954, most of the rates that had not been bound in the General Agreement were increased. Permission to change bound specific rates to ad valorem rates was obtained by Turkey from the Contracting Parties to the General Agreement. The effective rates of duty on the Turkish items that are bound in the agreement do not appear to have been affected by the change from a specific to an ad valorem basis. Iceland levied a tax of 100 percent of the f. o. b. value on permits issued for imports of certain automobiles; on automobiles imported under bilateral trade agreements with Czechoslovakia and the Soviet Union the tax rate was set at 60 percent. The new tax, which was established for the period from August 17, 1954, to the end of the year, was in addition to the existing tax of 35 percent ad valorem on automobile import permits.

Actions taken by other OEEC countries with respect to tariffs and related matters were somewhat more extensive than the actions of the countries mentioned above, and are therefore discussed in detail below.

Austria

On May 1, 1955, Austria's new customs tariff, which had been in preparation for several years, became effective. Known as "the 1955 ad valorem tariff law," it superseded the tariff legislation of 1924. The revised law represented a general shift from specific import duties to a uniform ad valorem system of rates of duty, based on the Brussels Nomenclature.

Before the new tariff law became operative, Austria had made frequent revisions of individual tariff rates by administrative action, with a general tendency to increase the rates of duty as quantitative restrictions were relaxed on imports from other OEEC countries. On the other hand, Austria had from time to time reduced or waived duties temporarily on long lists of raw materials needed for domestic industries and on commodities not produced domestically, such as special types of pig iron, certain petroleum products, agricultural equipment, and industrial machinery. Of special interest to the United States was the approximately 50-percent reduction (to 20 percent ad valorem) in the Austrian

duties on passenger automobiles in October 1954, followed in January 1955 by a like reduction in the duties on light delivery trucks and on complete chassis for automobiles and trucks. Simultaneously, the Austrian Government removed quantitative restrictions on imports of such vehicles payable in dollars and made dollar exchange available upon the purchasers' application. This was the first time since World War II that Austria had completely removed the restrictions on the importation of any United States product.

Austria imposes an equalization tax on imports which, in effect, is the general sales tax applied to imports. The objective of the tax on imports is to "equalize" the tax burden on domestic and imported goods. As in the case of the general sales tax, the normal rate of the equalization tax is 5.25 percent of the invoice value of the product plus the import duty. For certain essential items, such as grain and flour, the rate is 1.8 percent. Items may be removed from or added to the list of goods subject to the equalization tax by ministerial action. This action has been a convenient and flexible means of varying the import charges on individual items in accordance with changing economic requirements and the objectives of trade policy.

Austria also imposes a tax on all imports and exports for the purpose of raising additional revenue for administrative expenses connected with the conduct of its foreign trade. In July 1954, Austria modified its legislation on this tax by authorizing a maximum rate of 0.3 percent.

France

On the whole, France has higher tariffs than any other member country of the Organization for European Economic Cooperation; [26] and it makes frequent changes, either upward or downward, in individual tariff rates and in other charges on imports. Many of the changes represent temporary suspensions of import duties or taxes, or reimpositions of such duties or taxes after periods of suspension. For example, France suspended the import duties on certain dyes for the period July 1 to December 31, 1954. In September 1954, it reestablished the import duties, which had previously been suspended, on certain chemicals, thermoplastics, and glass products. In October 1954 the import duties on certain chemicals, paper-pulp sheets, and musical keyboards were suspended temporarily, and those on certain electric-light fixtures were reestablished. In November 1954 France restored the duty on synthetic fiber yarns, temporarily suspended thc duties on some volatile oils, and reduced the

[26] In a document issued in 1953 by OEEC (*Economic Conditions in France*, Paris, p. 25), the French protective system is characterized as follows: "The basic source of France's difficulties is undoubtedly protection which surpasses that of any other Member countries . . . The existing French tariff protects both agriculture and a wide range of industry. The effects of this generally high tariff have been aggravated by the more radical results of import quotas."

duty on seed potatoes. In January 1955, some duties that had previously been suspended were restored, and some dutiable items were transferred to the free list.

French taxes of various kinds, which are applicable to imports (and usually to similar domestic products) also undergo frequent alteration. Effective July 1, 1954, France exempted a number of agricultural and fishery products from the "transaction" tax it levies on domestic sales and imports, and provided for deductions from the "value added" tax—also levied on domestic sales and imports—that applies to certain preserved foods. Deductions from this tax were authorized to avoid double taxation on agricultural and fishery products incorporated in the preserved foods. In August, various categories of imports already exempt from import duties were exempted from the new "value added" sales tax.[27]

French measures to provide further aid to domestic exporters, which were inaugurated in July 1954 and took the form either of reimbursement of social security and payroll taxes or of a flat-rate rebate, or both, were extended to exports of some products previously excluded from any form of export aid. Later in the year the flat-rate rebates of 8.72 and 5.45 percent ad valorem on the various types of exported products were reduced to 7.50 and 4.20 percent, respectively. Fixed rebates to exporters of meat and wine, which differ from those applicable to the exports entitled to the rates of 7.50 and 4.20 percent, also were reduced.

Federal Republic of Germany

The principal tariff changes that the Federal Republic of Germany made during the period covered by this report occurred in March 1955, when it reduced the import duties on 700 items in the industrial sector of its tariff schedule.[28] By legislative action permanent reductions were made in the rates of duty on fewer than 50 items, including chemicals, articles of magnesium, aircraft, and clocks and parts. Most of the permanent reductions in rates of duty on chemicals, articles of magnesium, and aircraft were from 40 percent to 30 percent ad valorem. Most of the rates on other items affected by the permanent reductions, which were formerly about 12 or 15 percent ad valorem, were reduced to 10 percent; the duties on a few items were eliminated.

By administrative action temporary reductions in duties were made on the remaining items in the list of 700, to be effective until March 31,

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[27] French actions with respect to certain other taxes on imports that have resulted in complaints to the Contracting Parties to the General Agreement alleging violation of the agreement are discussed in ch. 3. These taxes are the "statistical and customs control tax," the "stamp tax," and the "special temporary compensation tax."

[28] The industrial sector of the German tariff includes 3,663 tariff positions, of which 599 are duty free and another 718 dutiable items are bound by agreement. The 700 items on which the duty reductions were made were from the remaining 2,346 items.

1956. The items include chemicals, rubber products, wood products, paper products, textile fibers, headwear, stones and earths, ceramics, iron and steel products, machinery, articles of nickel, aluminum, lead, zinc, and various other products. The old rates rarely exceeded 20 or 25 percent ad valorem. Typical reductions were from 25 percent to 20 percent, from 20 percent to 18 or 15 percent, and from 15 percent to 10 percent; some items were placed on a temporary free list. The rates of duty on the relatively small number of items in the German schedule of the General Agreement were not changed.

West Germany's action in reducing the duties on the 700 items was a result of a recommendation by the OEEC, and was designed to reduce West Germany's large export surplus with the European Payments Union.[29] The items selected for the reductions consisted for the most part, however, of commodities in which West Germany has a small import trade but an expanding export market, of goods destined for further manufacturing, or of products on which the rate of duty exceeded 30 percent ad valorem, which is above the average rate in the German tariff. The temporary reductions were generally made on the assumption that within a year or two there would be sufficient domestic production of the commodities listed.

In July 1954, as a result of bilateral discussions with Norway, West Germany reduced its import duties on sprats and herrings. This action resulted from a complaint by Norway to the Contracting Parties that the German rates on these items were out of line with the lower rates on sardines.

Because of the several types of assistance that are given to exporters, and the numerous provisions for meeting the requirements, West Germany's system of promoting and aiding the country's export trade is highly complex. One form of export incentive—the so-called dollar-retention plan—was officially marked for abandonment by the end of 1955.[30] During the crucial period of postwar reconstruction, the Federal Republic imposed export taxes on many products. In 1954, however, the export taxes on numerous products were abolished. As of early 1955 the principal German export aids consisted of turnover tax exemptions (or refunds of the turnover tax) to exporters, certain income-tax privileges that are extended to exporters, and export financing facilities and guaranties. Simplified regulations for West German exports per-

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[29] For some time before West Germany reduced the duties on the 700 items, there had been a growing concern that the increased hardening of the German currency (that is, its approach to convertibility) might lead other countries to restrict their imports of German products. This concern led West Germany to adopt the policy of placing more emphasis on promoting imports and less on promoting exports as a means of forestalling restrictive action by other countries.

[30] See *Operation of the Trade Agreements Program* (seventh report), p. 158.

taining to procedures controlling terms of payment, export proceeds, customs clearance, and other matters became effective December 1, 1954. In October 1954 a new Federal Office for Industry and Trade was established to administer regulations and controls in the fields of exports, imports, and other phases of international trade and finance.

Greece

Some of the actions that Greece took in 1954 and 1955 with respect to its tariff represented changes resulting from the 50-percent devaluation of the drachma in April 1953. As a result of the devaluation there was an automatic rise in the ad valorem rates of duty. In October 1954 Greece increased by 50 percent the specific duties on 21 items[31] to compensate in part for the devaluation, although it sought to minimize the increase in specific duties on certain items, such as essential foodstuffs. These changes did not, however, represent a general revision of the Greek tariff (which is still in process), but were merely readjustments made necessary by the currency devaluation. The increases in ad valorem and specific duties were made in conformity with an authorization of October 1953 by the Contracting Parties to the General Agreement. The Greek turnover tax, which had applied equally to imported and domestic products, was increased on imported goods but not on domestic. The increase was made to compensate for a tax levied on all wages that has no counterpart for imported products.

Also in October 1954 Greece exempted from duties and import taxes certain machinery and other equipment and fuel for small seagoing craft, and temporarily reduced the rates of duty on imports of coarse grains for livestock. In February 1955 Greece changed a few other import duties; these changes included an increase in the duty on fresh apples and a reduction in the duty on cottonseed.

Italy

After World War II Italy undertook an extensive revision of its tariff structure. Almost all the rates of duty in the new tariff, which was based on the Brussels Nomenclature, were on an ad valorem basis. Although the new tariff was made public in July 1950, it was not then placed in effect because of the fear that the revised duties, which were generally high, would restrict imports to a greater extent than was desirable at the time. Instead, the Government applied special temporary rates of duty to most items—rates not so high as to be unduly restrictive of imports.

In 1951, when it was in a strong creditor position with the European Payments Union, Italy removed virtually all its quantitative restrictions on imports from other OEEC countries in an effort to encourage imports from those sources. It also decreed a temporary reduction of one-tenth

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[31] Including prepared mustard; locks, padlocks, keys, and doorknobs and handles; certain alcoholic beverages; certain household appliances; oilcloth; and motorcycles and sidecars.

in almost all customs duties; the reduced rates applied to imports from all countries without discrimination. Even after its shift from a creditor position to a highly adverse debtor position with EPU, Italy still adhered to the policy of not curtailing imports. Rather, it sought to reduce its trade deficit by expanding its exports, and to purchase increased quantities of foreign raw materials for use in its export industries. Italy did, however, change some of its import duties in 1953, reducing or suspending a few rates and increasing a few others. Early in 1954 it placed on the free list machinery for exploiting natural gas resources and for the economic development of the southern part of the country. In 1954–55 Italy confined its efforts at trade liberalization mainly to the relaxation of quantitative import restrictions on goods from both dollar and nondollar countries.

In July 1954 Italy established a compensatory import tax payable when imported goods clear the customs. This new tax is designed to compensate the Italian treasury for revenue it has lost by the refund of the already existing general turnover and transactions tax (usually 3 percent ad valorem, c. i. f.[32]) payable on certain Italian exports. The new compensatory tax ranges from 1 to 4 percent ad valorem and is usually applied to a particular commodity at the same rate at which the general turnover and transactions tax is refunded when the same commodity is exported from Italy. The new tax is levied on 1,004 tariff items or subitems, of which 72 items are taxed at 4 percent ad valorem, 281 at 3 percent, 381 at 2 percent, and 270 at 1 percent. Manufactured goods generally are subject to the higher rates, and basic raw materials, to the lower rates.

Switzerland

Switzerland is not a contracting party to the General Agreement on Tariffs and Trade; its trade agreements, including its trade agreement with the United States, are on a bilateral basis. This situation has no special significance in connection with Switzerland's collaboration with Western European countries in the Organization for European Economic Cooperation. More important is the fact that Switzerland can operate as a hard-currency country. However, because of its close association with, and proximity to, a large number of countries the currencies of which are not fully convertible, Switzerland has maintained a position of less than full convertibility. It maintains full convertibility for residents, but restricts convertibility for nonresidents to residents of countries that maintain convertible currencies. Such nonresidents, together with Swiss residents, may convert any amount of Swiss francs into dollars or any other currency, and may use the proceeds for imports from or capital exports to any country.

Switzerland employs relatively few quantitative trade restrictions; the restrictions it does maintain consist mainly of quotas on agricultural

[32] Cost, insurance, and freight.

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products, which are employed for protectionist purposes. The Government relies chiefly on its tariff to protect the country's agriculture and industry; from time to time it levies additional or supplementary fees on imports. Early in 1954, for example, the Swiss Government substantially increased the "price supplement fees" on imports of wheat, rye, barley, oats, corn, and other coarse feeds.

Switzerland also levies an import sales tax. Effective May 1, 1955, it increased the import sales tax on a number of items, and reduced it on others. The increases in the tax ranged from about 30 percent to more than 100 percent on items such as hides and skins, serums and vaccines, certain automobiles, and electric ignition and starting equipment for automobiles. The reductions ranged from about 6 percent to 25 percent on items such as nylon hose, spinning machinery, coal, and airplanes.

The Sterling Area

During 1954–55 imports into countries of the sterling area [33] continued to be restricted mainly by quantitative restrictions that had been imposed for balance-of-payments reasons during and after World War II. The existing import duties are, of course, effective in limiting imports into each country of the sterling area not only from each other, but also from countries outside the area. Without the existing quantitative limitations on imports, however, the import duties would not in themselves restrict imports to the levels regarded by the various countries as low enough to safeguard their foreign-exchange balances and their reserves of nonsterling currencies—especially gold and dollars. There is also a further limitation in the scope for tariff changes in the fact that many rates of duty and the duty-free status of many commodities are bound against increase under the General Agreement on Tariffs and Trade. Changes in tariff treatment, therefore, are limited to unbound items and to the relatively few bound items on which changes are made as a result of renegotiation under the agreement. Even within the limited area of unbound tariff status the number of changes in duties was relatively small in 1954–55. Export duties and nontariff charges on imports are rare in the countries of the sterling area.

The Government of Pakistan established a Tariff Board in 1953, and the board has since been engaged in consolidating the country's various import charges in a new tariff structure. On the recommendation of its Tariff Board, Pakistan has increased the duty on diesel engines and has imposed protective duties on bicycle tires, iron furniture, and electric

[33] The sterling area consists of all the countries of the British Commonwealth (except Canada), Burma, Iceland, Iraq, Ireland, Jordan, and Libya. The United States has trade agreements with all of these countries except Iraq, Ireland, Jordan, and Libya. The agreement with Iceland is on a bilateral basis; the other agreements are under the General Agreement on Tariffs and Trade.

fans. The Federation of Rhodesia and Nyasaland, which was established in 1953, has since been engaged in creating a tariff system for the new Federation. The Federal tariff is not expected to become effective before the second half of 1955; in the meantime, the old tariffs of Southern Rhodesia and Nyasaland remain in effect.

Most other countries of the sterling area made relatively few changes in their tariffs during 1954–55. The United Kingdom temporarily suspended its import duties on certain iron and steel products imported for further manufacture. It reduced the number of goods subject to the suspensions in March 1954, but extended the lists in August and November 1954 and in January 1955. The suspensions of January 1955, which apply to a wide range of iron and steel products, were to remain in force until September 1955. In April 1955 the United Kingdom announced that it intended to introduce legislation to permit the imposition of antidumping and countervailing duties. New Zealand suspended all customs duties on certain iron and steel products from April 22 through December 31, 1955. These products enter free of duty from the United Kingdom under the British preferential tariff, and at 20 percent ad valorem for most items if imported from the United States and other most-favored nations. The duties on imports from non-British sources were suspended because the United Kingdom was unable to supply New Zealand's requirements. Early in 1955 New Zealand also extended, until the end of 1955, the suspension of import duties on coniferous lumber, and until June 30, 1955, the suspension of the duties on cement. The duties on these products were originally suspended in 1952. In October 1954, Burma increased its import duties on fabrics and enameled ironware.

The changes in import duties recently made by Australia, India, Ceylon, and the Union of South Africa—changes somewhat more extensive or complex than those made by other countries of the sterling area—are discussed separately below.

Australia

Australia's customs tariff is characterized by very high protective duties. In many instances the rates applicable under the British preferential tariff are highly protective, and the higher rates that apply to the same products when imported from non-British countries are virtually prohibitive.

The Australian Tariff Board regularly conducts comprehensive inquiries into the protective needs of various domestic industries and evaluates those needs in relation to the Australian economy as a whole. In October 1954 it recommended increases in the duties—for protectionist reasons—on certain textiles, forged knives, iron tubes, and other items. The Tariff Board also recommended that the Australian Government make provision for the protection of domestic industries against imports of goods entered "at less than reasonable cost." On the other hand, the

Tariff Board frequently recommends reductions or suspensions of the duties on materials that are required by domestic industries protected by high duties.

Early in 1954, as a result of recommendations by the Tariff Board, Australia increased its import duties on a number of commodities, including acetone, certain floor coverings, transmission chains, certain tools, spectacles, butyl alcohol, cotton sheeting, certain papers and paper products, some motor vehicle assemblies and parts, certain high-voltage electrical switches and circuit breakers, and titanium oxide and titanium white for use in the manufacture of paints. Duties were reduced on butyl acetate and on certain cork and gasket items. The increases in duties were designed to protect domestic industries. For example, the intermediate tariff rates, which apply to imports from the United States, were increased from 12½ percent ad valorem to 40–45 percent on those types of high-voltage switchgear now made in Australia; the British preferential rate, formerly free, became 22½ percent ad valorem. Types of high-voltage switchgear not made in Australia remained dutiable at 12½ percent ad valorem under the intermediate tariff, and free of duty under the British preferential tariff. The intermediate rate on titanium oxide and titanium white was increased from 12½ percent ad valorem to a specific rate of 48 Australian pounds (equivalent to 107.52 United States dollars) per long ton; the British preferential rate (formerly free) was set at 28 Australian pounds per long ton (62.72 United States dollars). The objective with respect to these items, and also to some other import items, was to increase the degree of protection against imports from British sources as well as against imports from the United States and other non-British countries.

Ceylon

Ceylon depends heavily on both export and import duties as a source of revenue, and tends to alter its rates of duty in accordance with fiscal considerations. In 1954–55 it expected to raise about 27 percent of its revenue from export duties, 23 percent from import duties, and most of the remaining 50 percent from internal taxes. Effective in July 1954, Ceylon reduced a number of its import duties (both British preferential rates and most-favored-nation rates), including those on several items of interest to United States exporters. The items on which the duties were reduced included machinery for making safety matches, glass-blowing machines, components and parts for radios, dyes and dyestuffs, marine diesel engines, and sporting equipment. Dairy equipment and poultry-farming apparatus were exempted from duty. Import duties on eggs and automobiles were increased. In February 1955, lower import duties became effective on chlorinators, nonhousehold refrigerators and component parts, and machinery not elsewhere specified, if imported for use in essential industrial development. Partly to make up for the expected

loss of revenue from the lower import duties, Ceylon increased the export duties on tea and cocoa. The export duty on pepper, however, was reduced.

India

In general India has recently undertaken to follow a policy of gradually abolishing quantititive restrictions on imports and of using the tariff instead as a means of regulating imports. This policy is reflected in more liberal import quotas, but also in higher rates of duty for protectionist purposes in some instances; some duties have been reduced. Fiscal considerations rather than protection are apparent in some of the recent duty increases.

A number of concessions that India has granted in the General Agreement on Tariffs and Trade have been renegotiated with the interested contracting parties in order to permit the imposition of higher rates of duty. In 1953 India requested permission from the Contracting Parties to renegotiate a limited number of the tariff concessions that it had granted at Geneva in 1947 and at Torquay in 1951. The request was granted, and in 1954, as a result of the renegotiations, India withdrew the concessions it had originally granted to France on wines, to the Federal Republic of Germany and to Czechoslovakia on dyes, to Czechoslovakia on glass beads, and to the United States on safety-razor blades. India then increased the duties on these items, and granted compensatory concessions to the interested contracting parties. The compensatory concessions included reductions in the Indian rates of duty on high-speed alloy or special steel used in the manufacture of small tools, on electric hearing aids, and on raw materials for the plastics industry. The existing rates of duty on some other items, including milk foods for infants, antibiotics, and certain tires, were bound against increase.

In pursuance of its policy of relaxing quantitative restrictions and increasing duties, India in September 1954 granted more liberal import quotas—for both hard- and soft-currency areas—and simultaneously increased the duties on a number of commodities. The items of principal interest to the United States that were treated in this way included fruit juices, toilet articles, wearing apparel, safety razors and blades, and playing cards. The reason given for the increase in the duties was not to grant more protection to domestic industries, however, but to raise additional revenue to replace revenue lost when the export duties on certain commodities were reduced or removed. At the same time India increased the quotas and slightly reduced the duties on toys, games, and sporting goods. Some import quotas were liberalized without any changes being made in the import duties on the liberalized imports. These quotas included those on silk hosiery, sanitary ware, watches and parts, educational toys, musical instruments, smokers' requisites, and certain sporting goods.

In May 1955, India lowered its import duties substantially on several specialized categories of cotton textiles not made in India. The new rates, which are to remain in effect for 1 year, are subject to review at the end of that period. The margins of preference in favor of British imports were not changed. The reduction in the duties—especially the reduction in the preferential rates—was interpreted as a gesture of good will to the Lancashire textile industry, which had protested against the continuation of high Indian duties on Lancashire textiles, when Indian textiles were permitted to enter the United Kingdom duty free.

Union of South Africa

The tendency of the Union of South Africa to increase import duties on more and more commodities in 1953–54 was noted in the Commission's seventh report on the operation of the trade agreements program.[34] The movement for higher duties, which is motivated by the desire for greater protection to domestic industry, continued in 1954–55. The South African Parliament has followed the practice of making direct increases in duty rates, and also of establishing "suspended duties," which may be levied in addition to the regular customs duties, and "special suspended duties," which may be levied in addition to the regular duties and the suspended duties. The suspended duties, when employed, apply to the intermediate rates, to which imports from the United States and other most-favored nations are subject. The special suspended duties, however, do not apply to imports from the United States and other countries that are accorded most-favored-nation tariff rates in South Africa as a result of trade agreements. These special duties were originally established at the end of 1953 on a number of textile items, for application to imports from countries that do not benefit from most-favored-nation rates established in trade agreements; they were directed primarily at imports from Japan. In September 1954 suspended duties were established for certain hosiery items, and in October 1954 special suspended duties were imposed on cotton piece goods and sheeting and various clothing and haberdashery items.

In July 1954, South Africa revised its regular rates of duty—mostly upward—on a number of tariff items, effective immediately or, in some instances, retroactively to April and May 1954. The commodities included mineral and table waters; bags; binder twine; metal bolts, nuts, etc.; pipe fittings; sheet glass; vegetable oils; rubber tires and tubes; alder and birch plywood; woodpulp; a variety of paper boards; wrapping paper; and machinery, apparatus, appliances, and implements for agricultural purposes.

In August 1954, South Africa imposed dumping duties on specified products imported from several countries—on metal bolts and nuts and wood screws from Austria, France, and the Federal Republic of Germany;

[34] See *Operation of the Trade Agreements Program* (seventh report), pp. 189–190.

on electric motors from Belgium; on hotplate controls (switches) from the Federal Republic of Germany; and on hardboard from Belgium and France.

Nondollar Countries Other Than Countries in OEEC or the Sterling Area

Most of the countries in this group of nondollar countries [35] have made very few changes in their import duties in recent years. Even in those countries in which tariff changes have been more numerous—as in Chile, Peru, and Finland—they have not been particularly important or widespread. The general lack of emphasis by these countries on changes in import duties as a means of controlling their trade is due chiefly to the fact that they rely on other methods. Besides employing exchange controls and quantitative restrictions for balance-of-payments reasons, most of the countries in the nondollar group employ elaborate systems of multiple exchange rates to control the amount and direction of their foreign trade. The changes they make in exchange controls, quantitative restrictions, and multiple exchange rates, therefore, are more indicative of the trends in the trade policies of these countries than are changes in tariff treatment. Import duties on, and duty-free treatment of, commodities that have been bound against increase in trade agreements are, of course, not subject to change without the consent of other contracting parties, but the importation of such commodities may be restricted for balance-of-payments reasons. Alterations in the effective rates of exchange, which occur with great frequency in some countries, change the incidence of rates of duty and therefore tend to impair or nullify even the bound rates. The abolition of multiple exchange rates would, of course, help to prevent this indiscriminate impairment of trade-agreement obligations. The International Monetary Fund has been endeavoring to persuade member countries to abolish multiple-exchange-rate systems, or at least to reduce the number of rates and to simplify their systems.

During 1954–55 no significant changes in import duties were made by Argentina, Brazil,[36] Paraguay, and Uruguay, or by Indonesia and Iran.

Chile

In October 1954, Chile increased its import duties on some 550 tariff items by restoring—on most of the items—duties that had previously been suspended, and by increasing the duties on a smaller list of items. The general classes of products on which the duties were reimposed

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[35] The nondollar countries, other than those in OEEC and the sterling area, with which the United States has trade agreements are Argentina, Brazil, Chile, Finland, Indonesia, Iran, Paraguay, Peru, and Uruguay.

[36] For Brazil's action under the General Agreement on Tariffs and Trade with respect to certain internal taxes and compensatory tariff concessions, see ch. 3.

included crude minerals; coal and coke; raw wool; hides and skins; grains; fruits and vegetables; fresh and pickled meats; leaf tobacco; yarns of cotton, wool, and silk; cotton cloth; a wide variety of chemicals and chemical products; fertilizers; paints; soaps; certain metal products; motors; railroad cars and coaches; turbines; automobile chassis; solid tires; glass; cardboard, and paper in all forms; and scientific instruments. Rates of duty were increased on varnishes, plastics, iron and steel bars, a wide variety of hardware items, metal wire, electric batteries, pneumatic tires, phonographs, and mechanical toys.

Peru

During 1953 and early 1954, Peru increased its import duties on a considerable number of rubber manufactures, some textile and plastics goods, yarns, soluble glass, a long list of paper products, and numerous other products. In addition, Peru continued to collect a unified surtax amounting to about 13 percent of the c. i. f. value of imports. The stated purpose of the increases in duty was to give added protection to domestic manufacturers. During the second half of 1954 and the first half of 1955, Peru continued its policy of making the duties on a number of manufactured goods more protective. In October 1954 greatly increased duties became effective for a number of cotton fabrics and manufactures, and in January 1955 the import duties on phonograph records were increased sharply. The unified surtax applicable to imports was not changed. Increases in duty were not applied to items on which Peru had granted concessions under the General Agreement.

In March 1955, Peru levied a new 10-percent ad valorem surtax on the c. i. f. value of imports of jewelry, luxury articles for personal use, and decorative or ornamental articles. A retail sales tax formerly applicable to such articles was removed, thus leaving the new surtax applicable only to imported goods. The tax was applied in order to favor domestic manufacturers of luxury goods, and also to restrict the outflow of foreign exchange.

Commodities that are regarded as essential and that are not produced in Peru in sufficient quantities to fill domestic requirements have, in numerous instances, received the benefit of duty reductions. In 1954 drugs and raw materials for the domestic pharmaceutical industry were exempted from payment of import duties and additional import charges, except the import tax of 6 percent ad valorem. In October 1954, some agricultural machinery, implements, and equipment were exempted from payment of import duties and additional customs surcharges, except a 7½-percent consular fee. In November 1954, the same exemptions were applied to certain items imported specifically for use in the Peruvian mining industry.

Finland

In 1949 Finland devalued its currency and, by employing a "coefficient," increased the average level of its unbound specific duties to about 10 times that at the beginning of 1939. Effective January 1, 1955, the unbound specific duties in the Finnish tariff generally were increased by 50 percent (from 10 times to 15 times the level in 1939) in order to return these duties to approximately their 1939 level of effectiveness. Ad valorem rates of duty or rates of duty bound in the General Agreement were not affected by this change.

Finland also wished to increase (by not more than 70 percent) the specific rates of duty bound against increase in its schedule of concessions under the General Agreement on Tariffs and Trade. In order to do this, it asked for the concurrence of the Contracting Parties that the proposed increase would not cause impairment of the concessions. Application for permission to increase the bound specific duties was made to the Contracting Parties at their Ninth Session in 1954. Although the Contracting Parties authorized Finland to make the proposed adjustments, action was postponed by Finland pending the conclusion of negotiations with Benelux and the United Kingdom, both of which had indicated that certain of the proposed increases in duty would impair concessions listed in Finland's schedule.[37]

Restrictions on imports of automobiles have been particularly severe in Finland, even under the improved dollar position of the country. Finland imposes a "price equalization surcharge" on imported passenger automobiles. Before February 1955 the surcharge was 30 percent of the f. o. b. value of cars weighing less than 14,000 kilograms and 100 percent for heavier cars. On February 14, the surcharge was changed to a scale of rates on six weight classifications, beginning at 30 percent of the f. o. b. value of cars weighing less than 1,000 kilograms, and amounting to 135 percent of the value of cars weighing more than 1,700 kilograms.

Dollar Countries

As pointed out in the section dealing with quantitative restrictions and exchange controls, the dollar countries with which the United States has trade agreements [38] have no reason on balance-of-payments grounds to restrict imports from any source. Some of them apply restrictive internal credit controls in the interest of curbing the demand for imports, thereby safeguarding their balance-of-payments position, and some increase their import duties for the same reason. In general, however, the tariff policies

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[37] See ch. 3.

[38] The dollar countries with which the United States has trade agreements on a bilateral basis are Ecuador, El Salvador, Guatemala, Honduras, and Venezuela; the others with which it has trade agreements—Canada, Cuba, the Dominican Republic, Haiti, and Nicaragua—are contracting parties to the General Agreement on Tariffs and Trade.

of these countries are guided by considerations of protection or revenue. Even in these respects the emphasis varies considerably from country to country.

During 1954–55 Cuba, the Dominican Republic, El Salvador, Haiti, and Nicaragua made no significant changes in tariffs or other charges on imports. Venezuela sharply increased import duties on a number of tariff classifications of wearing apparel in August 1954, and on textiles in September 1954. Numerous changes—many of them of a routine administrative nature—were made in import duties and other charges on imports by Canada, Ecuador, Guatemala, and Honduras; these changes are discussed below.

Canada

The Canadian tariff provides different and higher rates of duty for certain products of "a class or kind made in Canada."[39] Upon a ruling that a given article of a class or kind made in Canada is entitled to the benefits of the provision, the import duty is automatically increased to a higher level if the tariff so provides. For certain industrial machinery, a ruling that it is of a class or kind made in Canada automatically triples the duty. All goods that are determined to be of a class or kind made in Canada are also subject to antidumping action if they are sold to Canadian importers at prices less than those at which they are sold to the same class of customer in the home market. Applications for increased tariff protection through administrative action under the "made in Canada" provisions of the Canadian tariff have greatly increased in the last year or two, reflecting more intensive competition from imports in the Canadian market, particularly those from the United States and Western European countries.

Effective in December 1954, the Canadian Department of National Revenue ruled that certain types of self-propelled industrial cranes were entitled to the benefit of the "made in Canada" provision, and the duty on such cranes was therefore increased from 7½ percent to 22½ percent ad valorem. Canadian duties on imports, from the United States and other most-favored nations, of certain types of coin-operated soft-drink vending machines and deep-well pumps were also found to be entitled to the benefits of the "made in Canada" provision, and the duty on these items also was increased from 7½ percent to 22½ percent ad valorem, effective in January 1955. The Department of National Revenue made a similar ruling for certain types of ball and roller bearings (effective December 6, 1954); this ruling did not affect the regular rate of duty, but it did make such bearings subject to the special, or dumping, duty

[39] An Order-in-Council of 1936, by which "made in Canada" rulings are made, provides that "articles shall not be deemed to be of a class or kind made or produced in Canada unless a quantity sufficient to supply 10 percent of normal Canadian consumption of such article is so made or produced [in Canada]."

ordinarily applied to foreign goods sold in Canada at less than the fair market value in the country of export.

Changes in Canadian import duties during 1954–55, or proposals for changes, other than those noted above, included both increases and reductions in duties; some temporary arrangements for duty-free entry were extended. For example, during that period Canada extended the period of duty-free entry for various automobile parts imported from the United States and other most-favored nations, and from British Commonwealth countries. This treatment, which had been in effect since September 1, 1952, was due to expire on October 31, 1954; it was extended for the period November 1, 1954, to December 31, 1955. Appeals to the Canadian Tariff Board for tariff protection against increased imports resulted in the levying, in June 1955, of higher duties on canned fruit mixtures and on ethylene glycol (used in the making of antifreeze). The duty on finished antifreeze, however, was reduced. A reduction in the rates of duty was ordered also for canned peaches and for fresh melons other than cantaloupes and muskmelons.

Numerous changes in import duties were proposed in the Canadian Government's budget plans, as they were presented to Parliament by the Finance Minister on April 5, 1955. Proposals were made for lower duties on articles of interest to the United States, including poultry-processing equipment, certain equipment for use in the commercial processing of food, and certain automobile and aircraft parts of a class or kind made in Canada. Free entry was proposed for certain automobile and aircraft parts of a kind not made in Canada, and for a number of other articles, including sweetpotato plants, brooders, machines and tools for use with tractors on the farm, certain types of gloves for X-ray operators, dental chairs and units, prescription shoes for defective feet, and certain ships for the commercial fishing industry. The budget message approved the levying of a duty on certain plastics (polyethylene resins and resins of the phenolaldehyde type—at present free of duty) and the adjustment of the rates of duty on the higher manufactured forms. It was indicated that the Canadian Tariff Board would be asked to review and bring up to date the sections of the tariff on chemicals and primary iron and steel, and to consider the tariff on potatoes in view of numerous objections to the present treatment which makes potatoes dutiable only from June 15 to July 31 of each year.

Ecuador

The bilateral trade agreement between the United States and Ecuador dates from 1938. Since 1942 the United States and Ecuador have exchanged many notes regarding Ecuador's repeated failure to abide by its obligations under the agreement. Ecuador's violations of the agreement have consisted mainly of increasing the import duties or other charges on many articles on which Ecuador had granted concessions in

the agreement. Similarly, Ecuador has increased its import duties on many nonconcession items in order to increase the protection accorded the Ecuadoran industries. The United States Government had anticipated that the revision of the Ecuadoran tariff schedule, which was in progress for a considerable time and which finally became effective on January 1, 1954,[40] might result in a cessation of Ecuador's violations of its trade-agreement obligations. It became apparent, however, that the new tariff did not improve the situation, as it incorporated almost all the additional import charges that the United States had so long protested as being in violation of the agreement. The United States, therefore, notified Ecuador that it would terminate the agreement on July 18, 1955. Ecuador first tried to persuade the United States to reverse its decision, but, failing in this, it strongly urged the United States to postpone termination of the agreement.[41] The United States then specified January 18, 1956, as the date on which it would terminate the agreement.

The new Ecuadoran customs tariff and customs statute, which became effective January 1, 1954, involved some changes in customs nomenclature and placed all import and export duties on a specific basis. One of the main objectives of the new tariff was to simplify customs administrative procedures and the collection of duties. Provision was made for new or strengthened controls over the invoicing of imports. The new law gave the Monetary Board of the Central Bank of Ecuador additional powers with respect to these control measures, and authorized it to suggest changes in import duties in accordance with domestic interests, including such changes as might be necessary to check unfavorable tendencies in the country's balance of payments. The Monetary Board makes its recommendations to the executive authority through the Foreign Trade Council.

On the basis of these powers, the Monetary Board and the Foreign Trade Council soon began to recommend changes in both the import and export duties that had been established in the new customs tariff. In March 1954 import duties were increased on a considerable number of items, including bakery products, hard liquors, wines and other alcoholic beverages, paints and varnishes, certain cosmetics, leather and leather goods, shoes and hats, certain types of glass and glassware, and the heavier weight classifications of automobiles and station wagons. At the

[40] The revision was made with the assistance of a technical mission of the United Nations.

[41] Ecuador was particularly concerned because the termination of the agreement would result in a return to the preagreement United States duty of 25 percent ad valorem (which had been reduced to 12½ percent ad valorem in the agreement) on panama hats, an important Ecuadoran export to the United States. Ecuador desired more time to consider what could be done to adjust itself to the situation that would result from termination of the agreement, including consideration of the possibility—strongly urged by the United States—that Ecuador become a contracting party to the General Agreement on Tariffs and Trade.

same time, the import duties were reduced on powdered and condensed milk, glucose, pharmaceuticals, certain types of newsprint and paper, jute and cotton bags, some types of jars and glass containers, and automobiles of lighter weight. Duty-free status was accorded such formerly dutiable articles as books, magazines, newspapers, maps, sheet music, and records. Export duties were increased on bananas, coffee, and cacao. Strong complaints were made by local interests against some of the increases in duties, and the authorities subsequently reduced some of the rates that they had increased. They also reduced a few rates of duty and increased some rates that had not been changed since the new tariff became effective at the beginning of 1954.

By a decree of July 16, 1954, Ecuador revised the rates of duty on 30 tariff items; on some items the rate of duty was changed and on others the classification was changed. Rates of duty were increased on certain types of automobile tire casings, cereal starches, asphalt tiles and bricks, and sewing machines. Provision was made for duty-free entry of aircraft and aircraft motors and parts for use by companies operating in Ecuador. Duties were reduced on "camelback" (used principally in recapping tires), specified paper products, fire extinguishers, iron and steel beds, some iron and steel hand tools, raw hides and skins, some phonograph records, and other products.

A decree of October 1954 increased the import duties on a number of items, including spices (except vanilla), toilet soap, essential and volatile vegetable oils (except turpentine), fruit syrups, motorcycles, and rubber-insulated electric wires and cables. A few reductions in duty were placed in effect, including those on artificial essences or extracts for carbonated drinks, and toothpastes and toothpowders.

In November 1954 Ecuador also increased its consular invoice fees, which are levied on the f. o. b. value of imported merchandise. During 1954, the first year of the operation of the new customs tariff, Ecuador gradually eliminated a stringent requirement of advance deposits on imported merchandise (prerequisite to the issuance of import permits), but by the end of 1954 the old system had been substantially restored.

In February 1955, Ecuador increased the import duties on passenger automobiles. The increases were accompanied by a departure from the recently established policy of employing only specific duties; the new rates are assessed on a specific basis by weight, plus an ad valorem rate applied to the factory export list price. The duties on used automobiles were reduced. No changes were made in the rates of duty on other vehicles.

Guatemala

The 1936 bilateral trade agreement between the United States and Guatemala has long been a source of dissatisfaction to both countries; this dissatisfaction has been reflected in the desire of both countries to

terminate the agreement.[42] The United States has protested what it considers to be numerous violations of the agreement by Guatemala, but Guatemala has claimed that the actions against which the United States has complained have been made necessary by Guatemala's desire to revise its foreign-trade policy in a more protectionist direction. Guatemala took numerous actions in violation of the agreement—some of which it claimed were not actually violations—and became increasingly restive at having its freedom of action bound in any way by the agreement.

Guatemala's actions in violation of the agreement, as previously reported,[43] have consisted mainly of the imposition of quantitative restrictions on imports of concession items from the United States. Guatemala has, however, also violated the agreement with respect to charges on some imports. In November 1952, for example, it levied a tax on importers that the United States protested as being in violation of the agreement. The tax amounted to 6 percent of the total customs duties and surcharges paid by importers on all imported merchandise except gasoline and lubricants. The United States protested that imposition of this tax violated article 1 of the bilateral trade agreement, which provides that all articles grown, produced, or manufactured in the United States and enumerated in Guatemala's schedule of concessions shall be exempt from ordinary customs duties in excess of those set forth in the schedule, and from all other duties, taxes, fees, or charges imposed in connection with such importation. Guatemala replied that it did not regard the tax in question—which it considers essential to its plan for the country's economic development—to be a violation of the agreement. It took the position that the tax is not a tax on imports as such, but represents a "contribution" from importers for the purpose of improving port facilities. Guatemala, therefore, refused to accede to United States requests that the tax be removed.

In February 1954, Guatemala imposed a 100-percent import-duty surcharge on the products of 11 countries (except products declared essential) with which it had a highly unfavorable balance of trade in 1953. This action, which was based on a decree of 1947, was designed to correct large imbalances with countries with which Guatemala has no commercial agreements. The countries were Austria, China, Colombia, Finland, Hong Kong, Hungary, Japan, Liechtenstein, Spain, Switzerland, and Venezuela.

Guatemala's treatment of imported products that it considers essential to the country's economy or to the welfare of consumers has in general been lenient. In July 1954 the Government abolished a road-construction tax on imported gasoline (equivalent to 20 cents per gallon) because the high price of gasoline had come to be considered a factor in increasing

[42] The agreement was terminated by mutual consent on October 15, 1955.
[43] See *Operation of the Trade Agreements Program* (sixth report), pp. 152–154.

the cost of living and a deterrent to production and economic development. In September 1954 Guatemala reduced the duties on many items to the levels that prevailed before they were increased in 1953. These reductions in duty, made in an effort to reduce living costs, applied to numerous types of consumers' goods, including wearing apparel and articles for personal use, textiles, prepared foods, alcoholic beverages, crude vegetable oils, plumbing and other building supplies, and tobacco products. At the same time, Guatemala made numerous other changes in its tariff, such as changes in nomenclature, the rescinding of some special types of duty treatment, and the addition of new items. It also established a special commission to completely revise the Guatemalan tariff system and rates of duty, and to effect other reforms for the protection of domestic industries and the benefit of the national economy. In April 1955 the Government, by decree, increased the duties on specified assembled trucks and buses, and on bodies for trucks and buses. Protection to domestic manufacturers and assemblers of such automotive equipment was the stated purpose of these increases.

Honduras

The new Honduran import tariff, which became effective on April 15, 1955, is a complete revision of the tariff of 1934. The new tariff, which provides for higher and more extensive import duties, is designed to increase Government revenues and to curtail imports of commodities regarded as nonessential. The new tariff was also represented as a balance-of-payments control measure, made necessary by the sharp decline in receipts of foreign exchange resulting from lower coffee prices and reduced exports of bananas and gold. The United States-Honduras trade agreement of 1936 was not affected by the tariff revisions.

In the revision, the tariff nomenclature was radically changed, and many more items than before were made subject to ad valorem rates of duty. The ad valorem rates in the old tariff ranged from 2 percent to 30 percent, the majority of them being 10 percent. The rates in the new tariff range from 5 percent to 300 percent, the majority of them being either 25 percent or 50 percent. Most of the ad valorem duties, which are levied on the f. o. b. value, port of export, apply to items such as jewelry, watches, textiles, shoes, furniture, and miscellaneous manufactured goods. The general level of specific rates of duty is also considerably higher in the new tariff, although the upper extreme of the specific duties is not so high under the new tariff as it was under the old one. The specific duties apply principally to food products, raw materials, and bulk commodities.

The general increase in the level of duties under the new tariff is not so great as appears from a simple comparison of the old and new duties, because numerous extra taxes or other additional charges on imports that were formerly collected separately have been abolished and incor-

porated in the new rates of duty. The old separate charges thus abolished as separate charges and incorporated in the new rates include the 1-percent ad valorem road tax, and a number of specific charges—a toll tax, a customhouse improvement tax, a waterworks tax, and taxes on imports of gasoline and other petroleum fuels. Not incorporated in the new rates of duty, but still collected separately, are the service fees for wharfage, portage, and stowage.

The various separate charges now incorporated in the import duties formerly applied only to imports on which Honduras did not grant concessions to the United States in the 1936 trade agreement. The items on which Honduras granted concessions to the United States in the agreement—comprising almost 15 percent of total Honduran imports—are not affected by the higher import duties established in the new tariff. These include, among others, automobiles and tires, cotton hosiery, canned goods, and pharmaceutical products. A special schedule was set up in the new tariff for the guidance of Honduran customs agents in administering the agreement between Honduras and the United States. The schedule stipulates the rate to be applied, which is the rate granted in the agreement plus the 10-percent surcharge on duties that was previously applied to trade-agreement items as a separate charge.[44]

Honduras would like to increase the duties now bound in the agreement, and the United States has expressed a willingness to renegotiate the agreement rates within the framework of the General Agreement on Tariffs and Trade. Honduras has been unwilling, however, to apply for accession to the General Agreement.

[44] For example, the Honduran duty on "cotton hosiery, whether or not mercerized, but not embroidered," is bound in the agreement at 0.72 lempiras per gross kilogram. Incorporation of the 10-percent surcharge in the regular duty brings the rate on such cotton hosiery in the new schedule to 0.792 lempiras per gross kilogram.

U. S. GOVERNMENT PRINTING OFFICE: 1956

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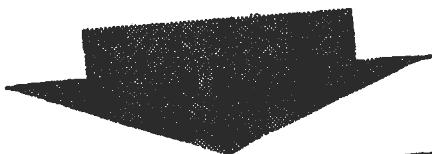

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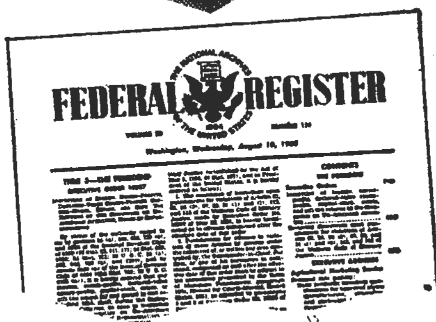

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