UNITED STATES TARIFF COMMISSION

Operation of the

TRADE AGREEMENTS PROGRAM

15th Report
July 1962–June 1963

TC Publication 147

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

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UNITED STATES TARIFF COMMISSION

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15th Report
July 1962–June 1963

PREPARED IN CONFORMITY WITH SECTION 402(b)
OF THE TRADE EXPANSION ACT OF 1962

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UNITED STATES TARIFF COMMISSION

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Foreword

This, the 15th report by the U.S. Tariff Commission on the operation of the trade agreements program, covers the period from July 1, 1962, through June 30, 1963. The report is made pursuant to section 402(b) of the Trade Expansion Act of 1962 (76 Stat. 902), which requires the Commission to submit to the Congress, at least once a year, a factual report on the operation of the trade agreements program.[1]

During the period covered by the 15th report, the Trade Expansion Act of 1962 became law; the Congress thereby delegated to the President new authority to enter into trade agreements and to modify U.S. rates of duty to carry out such agreements. The members of the General Agreement on Tariffs and Trade (GATT) began preparing for the sixth round of multilateral trade-agreement negotiations—widely known as "the Kennedy round." The 20th Session of the Contracting Parties to the GATT was held in the fall of 1962. These and other major developments respecting the trade agreements program are discussed in this report.

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[1] The first report in this series was U.S. Tariff Commission, *Operation of the Trade Agreements Program, June 1934 to April 1948*, Rept. No. 160, 2d ser., 1949. Hereafter that report will be cited as *Operation of the Trade Agreements Program*, 1st report. The 2d, 3d, and succeeding reports of the Tariff Commission on the operation of the trade agreements program will be cited in a similar short form.

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Chapter 1

U.S. Trade Agreements Legislation

INTRODUCTION

On July 1, 1962—the beginning of the period covered by this report—the President's authority to enter into trade agreements with foreign countries expired. In anticipation of this event, the administration early in 1962 sought new trade agreements legislation. The President emphasized the need for such legislation in his state of the Union address at the opening of the Second Session of the 87th Congress. Later, on January 25, he submitted his Message Relative to the Reciprocal Trade Agreements Program to the Congress, setting forth the administration's proposals for a "Trade Expansion Act."

H.R. 9900, which embodied the administration's proposals, was introduced in the House of Representatives and referred to the Committee on Ways and Means on January 25, 1962. Public hearings conducted by the Ways and Means Committee began on March 12 and continued for a month. On June 12 the committee reported out a new bill, H.R. 11970. The House of Representatives passed H.R. 11970 on June 28 and sent it to the Senate. The Senate referred H.R. 11970 to the Committee on Finance on June 29, 1962. That committee held public hearings from July 23 through August 16 and reported the bill, in amended form, to the Senate on September 14. The Senate passed the amended bill on September 19.

H.R. 11970 was then referred to a conference committee. Both the Senate and the House of Representatives agreed to the report of the committee on October 4. The President signed the bill on October 11, 1962, whereupon it became Public Law 87–794, or the Trade Expansion Act of 1962.

The Congress in the Trade Expansion Act provided in some measure for the administration of the trade agreements program. Under the act, the President was to appoint a Special Representative for Trade Negotiations, who was to be the chief representative of the United States at trade-agreement negotiations; the President also was to establish an interagency trade organization to assist him in carrying out his trade-agreement functions. To provide further for the administration of the trade agreements program and to delegate certain of the

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functions conferred on him by the act, the President issued Executive Order 11075 on January 15, 1963, Executive Order 11106 on April 18, 1963, and Executive Order 11113 on June 13, 1963.[1]

THE TRADE EXPANSION ACT OF 1962[2]

During the nearly 30-year history of the trade agreements program, the legislation relating thereto has gradually become more complex. The Trade Expansion Act of 1962 was by far the most detailed piece of trade agreements legislation passed by Congress.[3] The length and complexity of the 1962 act resulted in large part from three factors: (1) Several types of authority to modify rates of duty or other import restrictions in order to carry out trade agreements were granted to the President; (2) the procedures whereby industries could qualify for post-negotiation tariff adjustment and firms or groups of workers could become eligible for adjustment assistance, as well as the terms of such assistance that might be accorded to those who become eligible, were provided for; and (3) the administration of the trade agreements program was dealt with in considerable detail.

For convenience, the provisions of the Trade Expansion Act of 1962 will be discussed under four main headings: (1) Trade-agreement negotiations; (2) postnegotiation tariff and other adjustment assistance; (3) general provisions; and (4) administrative provisions.

Trade-Agreement Negotiations

The Trade Expansion Act of 1962 (sec. 201) granted the President authority (1) to enter into trade agreements with foreign countries for the 5-year period from July 1, 1962, to June 30, 1967, and (2) to modify rates of duty or other import restrictions, to continue existing duties or duty-free treatment, or to impose such additional import restrictions, as he deemed required or appropriate to carry out such agreements. Several provisions in the act established limits on the President's authority to modify U.S. rates of duty. Other provisions dealt with prenegotiation procedures, the reservation of articles from negotiations, staging requirements and rounding authorizations, and the transmission of copies of trade agreements to the Congress.

Authority to modify rates of duty

The basic trade-agreement authority granted to the President (sec. 201) permitted him—in order to carry out a trade agreement—to decrease any

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[1] 28 F.R. 473, 28 F.R. 3911, and 28 F.R. 6183, respectively.

[2] 76 Stat. 872–903.

[3] See *Emergency Tariff Laws of 1921 and the Reciprocal Trade Agreement Act of 1934 With All Amendments*, comp. Gilman G. Udell, Supt. Document Room, House of Representatives, 1962.

rate of duty to a rate 50 percent below that existing on July 1, 1962,[4] or to increase any rate of duty to (or impose) a rate 50 percent above that existing on July 1, 1934. For certain articles (or for certain articles in negotiations with certain countries), however, the President's authority to reduce rates of duty under trade agreements was unlimited, i.e., he could proclaim dutiable articles to be free of duty. This authority had not been granted to the President by any earlier trade agreements legislation.

Negotiations with the European Economic Community.—Section 211 permitted the President, in concluding trade agreements with the European Economic Community (EEC), to eliminate duties on articles in any category for which he had previously determined that the United States and the EEC accounted for at least 80 percent of the total free-world export value in a representative period. The act directed the President to select the classification system to be used in the categorization of articles for this purpose and to make this selection public. Before the President made the aforementioned determination regarding each category, the Tariff Commission was to make findings as to (1) the representative period; (2) the articles that fell within each category; and (3) the percentage of total free-world export value of the articles within each category accounted for by the United States and the EEC.

The authority granted by section 211 was not to apply to any article listed in Agriculture Handbook No. 143 of the U.S. Department of Agriculture, issued in September 1959. Section 212, however, authorized the President, in carrying out trade agreements with the EEC, to eliminate the duties on any product listed in that handbook, if he determined beforehand that the agreement would tend to maintain or expand U.S. exports of the like article.

Low-rate articles.—Section 202 authorized the President to eliminate the duties applicable to articles for which the rate on July 1, 1962, was not more than 5 percent ad valorem (or ad valorem equivalent).

Tropical agricultural and forestry commodities.—Section 213 authorized the President, under certain circumstances, to eliminate the duties on tropical agricultural or forestry products. As prerequisites to such action, the President had to determine that (1) the EEC had made commitments with respect to the product which made its access into the EEC comparable to the access contemplated for the product into the United States, (2) such commitments applied about equally to all free-world countries of origin, and (3) the like article was not produced in significant quantities

[4] The term "existing on July 1, 1962" referred to the lowest nonpreferential rate of duty existing on such date (however established, and even though temporarily suspended by act of Congress or otherwise) or (if lower) the lowest nonpreferential rate to which the United States was committed on such date and which might be proclaimed under sec. 350 of the Tariff Act of 1930 (sec. 256(4)).

in the United States. Before the President made his determination, the Tariff Commission was to make findings as to whether (1) the like article was produced in significant quantities in the United States, and (2) the article was an agricultural or forestry product more than one-half of the world production of which occurred between the 20-degree lines of latitude.

Prenegotiation procedures

The Trade Expansion Act directed the President, before he entered into a trade agreement, to seek advice and information from various Government departments and agencies, and to afford interested parties an opportunity to present their views.

Section 221 of the 1962 act, which replaced the so-called peril-point provisions of the previous trade agreements legislation, required the President, before entering into trade-agreement negotiations, to publish and to furnish to the Tariff Commission a list or lists of articles which might be considered for trade-agreement concessions.[5] For each article on which a reduction in the rate of duty in excess of the President's basic trade-agreement authority was to be considered (i.e., in excess of 50 percent of the rate existing on July 1, 1962), the President was to specify on the list the section or sections of the act under which such reductions might be made. Within 6 months after receipt of a list, the Tariff Commission was to advise the President of its judgment as to the probable economic effect of modifications of duties or other import restrictions applicable to each listed article on industries producing like or directly competitive articles. Under section 224, the President could not offer trade-agreement concessions on the articles until he had received the Tariff Commission's advice or until the expiration of the 6-month period, whichever occurred first.

In preparing its advice to the President, the Commission was required to hold public hearings. The Commission also was directed, to the extent practicable, to (1) investigate the conditions, causes, and effects of competition between the foreign industries producing the articles in question and the domestic industries producing the like or directly competitive articles; (2) analyze the production, trade, and consumption of each like or directly competitive article, taking into consideration employment, profit levels, the use of the U.S. productive facilities, and such other economic factors in the domestic industries as the Commission considered relevant (including prices, wages, sales, inventories, patterns of demand, capital investment, obsolescence of equipment, and diversification of production); (3) describe the probable nature and extent of any significant change which trade-agreement concessions on the listed articles would cause in employment, profit levels, use of productive

[5] The President directed the Special Representative for Trade Negotiations to furnish him from time to time lists of articles proposed for publication and transmittal to the Tariff Commission (48 CFR 1.3).

facilities, and such other conditions as it deemed relevant in the domestic industries concerned; and (4) make special studies of particular proposed concessions, including studies of the real wages paid in foreign supplying countries, whenever it deemed such studies warranted.

Under section 222, the President, before entering into any trade agreement, was also to seek information and advice respecting such agreement from the Departments of Agriculture, Commerce, Defense, Interior, Labor, State, and Treasury, and from such other sources as he deemed appropriate. The President delegated these functions to the Special Representative for Trade Negotiations.[6]

Section 223 of the act provided for public hearings, distinct from those conducted by the Tariff Commission, to be held by an agency or interagency committee designated by the President. These hearings were designed to provide any interested person the opportunity to present his views concerning any matter pertinent to proposed trade-agreement negotiations. The agency or committee which held the hearings was directed to furnish the President with a summary thereof; the President could not offer trade-agreement concessions until he had received such summary (sec. 224). The President delegated his functions under section 223 to the Special Representative for Trade Negotiations, who in turn established a Trade Information Committee to conduct the required hearings.[7]

Reservation of articles from negotiation

Several provisions of the Trade Expansion Act of 1962 directed the President to reserve various articles from trade-agreement negotiations. Some of the provisions (e.g., sec. 225(a)) were specific and mandatory; others (e.g., sec. 225(c)) were general directives or guidelines.

Section 225(a) directed the President to reserve from trade-agreement negotiations for the reduction of duty or other import restriction or the elimination of duty any article for which an action was in effect under the national security or escape-clause provisions of the Trade Expansion Act of 1962 or the comparable provisions of previous legislation.[8]

Section 225(b) directed the President, under certain conditions, to reserve from negotiations for the reduction of duty or other import restriction or the elimination of duty—for a 5-year period following the enactment of the act—any article (1) which the Tariff Commission in an earlier escape-clause investigation had found, by majority vote, was being imported in such increased quantities as to cause or threaten serious injury to a domestic industry and (2) for which no escape-clause

[6] 48 CFR 1.3.

[7] 48 CFR 1.3 and 202.3. See the section of this chapter on administrative provisions.

[8] Secs. 232, 351, or 352 of the Trade Expansion Act of 1962, sec. 7 of the Trade Agreements Extension Act of 1951, as amended, and sec. 2(b) of the extension act of 1954 (Public Law 464, 83d Cong., 2d sess.), as amended.

action was in effect. The President was required to reserve such an article from negotiation when the following conditions were met: (a) The article was included in a list of articles to be considered for negotiation furnished to the Tariff Commission by the President pursuant to section 221 (and had not been included in a prior list so furnished), and (b) the Tariff Commission, upon request of the industry made not later than 60 days after the date of publication of such list, found and advised the President that economic conditions in the industry had not substantially improved since the date of the report of its earlier finding of injury.

Section 225(c) directed the President to reserve any article which he determined to be appropriate, taking into consideration the advice of the Tariff Commission (sec. 221), the advice of other Government agencies or sources (sec. 222), and the summary of the public hearings furnished to him (sec. 223).

Section 232 prohibited the President from using his trade-agreement authority to decrease or eliminate the duty or other import restrictions on any article if he determined that such reduction or elimination would threaten to impair the national security.

Staging and rounding

Section 253 of the act stipulated that reductions in rates of duty must be so staged that, generally, the aggregate of a given reduction which was in effect at any time would not exceed that which would have been in effect if the reduction had been made in five annual installments of equal magnitude. Reductions made in rates of duty on tropical agricultural and forestry products under section 213 were exempted from the staging requirement.

Section 254 permitted rates of duty to be rounded so as to avoid complex fractions or decimals. Whenever he determined that such action would simplify the calculation of the amount of duty imposed on any article, the President could exceed his basic authority to reduce rates of duty (sec. 201), as well as the limitations imposed by the staging requirements (sec. 253), by the lesser of (a) the difference between the limitation and the next lower whole number, or (b) one-half of 1 percent ad valorem or an amount the ad valorem equivalent of which was one-half of 1 percent.

Transmission of agreements to Congress

Section 226 directed the President to transmit promptly to each House of Congress a copy of each trade agreement that he negotiated under the authority granted him by the act. He was also to transmit a statement which, in the light of the advice of the Tariff Commission (sec. 221) and of other relevant considerations, gave his reasons for entering into the agreement.

Postnegotiation Tariff and Other Adjustment Assistance

The Trade Expansion Act of 1962 provided for a variety of tariff and other forms of assistance to industries, firms, and groups of workers which established that they had been seriously injured by increased imports resulting in major part from trade-agreement concessions. Industry-wide assistance could take the form of an increase in rates of duty or other import restrictions (so-called escape-clause action), or the negotiation of marketing agreements with foreign countries. Assistance to individual firms could be in the form of technical aid, financial help, or tax benefits; that to individual groups of workers, in the form of unemployment compensation, job training, or relocation allowances for adversely affected workers.

Tariff assistance to industries

Under section 301 of the act, a petition for tariff adjustment could be filed with the Tariff Commission by a trade association, firm, certified or recognized union, or other representative of an industry. Upon the filing of such a petition, or upon request of the President, upon resolution of either the Senate Committee on Finance or the House Committee on Ways and Means, or upon its own motion, the Tariff Commission was promptly to conduct an investigation to determine whether, as a result in major part of concessions granted under trade agreements, an article was being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to an industry producing an article which was like or directly competitive with the article being imported.

Tariff Commission investigations.—During the course of its investigation, the Tariff Commission was required to hold public hearings and afford interested parties an opportunity to present their views. It was to report the result of each such investigation to the President as soon as practicable, but not later than 6 months after the date on which the petition was filed. Whenever the Commission determined, as a result of an investigation, that serious injury to a domestic industry had occurred or was threatened, it had to find the amount of increase in, or imposition of, any duty or other import restriction that it deemed necessary to prevent or remedy such injury, and include the finding in its report to the President.[9]

In making a determination concerning injury to an industry, the Tariff Commission was directed to take into account all economic factors

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[9] Under Executive Order 11075, the Commission's report, as well as a transcript of the hearing and the briefs relating thereto, were to be transmitted to the President through the Special Representative for Trade Negotiations. See the later section of this chapter on administrative provisions.

which it considered relevant, including idling of productive facilities, inability to operate at a level of reasonable profit, and unemployment or underemployment. The Commission was also directed to consider that the increased imports caused, or threatened to cause, serious injury to the domestic industry concerned when it found that such increased imports had been the major factor in causing, or threatening to cause, such injury.

Presidential action.—Section 302 of the act provided several alternative courses of action that the President could take after he had received a report containing an affirmative finding by the Tariff Commission with respect to a domestic industry:

(1) The President could proclaim such increase in, or imposition of, any duty or other import restriction on the article concerned as he determined to be necessary to prevent or remedy serious injury to the industry involved (sec. 351). The President generally could not, however, increase any rate of duty more than 50 percent above that existing on July 1, 1934, or, if the article was not subject to duty, he could not impose a duty in excess of 50 percent ad valorem.[10] In lieu of such action, the President could negotiate international agreements with foreign countries limiting exports from such countries to the United States of the article causing or threatening to cause serious injury to a domestic industry, whenever he determined that such action would be more appropriate to prevent or remedy serious injury to such industry than would increased duties or other import restrictions (sec. 352).[11]

(2) The President could provide that the firms in the industry in question could request the Secretary of Commerce for certification of eligibility to apply for financial and other forms of assistance provided in chapter 2 of the act.[12] Upon a showing by any such firm to the satisfaction of the Secretary of Commerce that the increased imports (which the Tariff Commission had determined to result from concessions granted under trade agreements) had caused or threatened to cause serious injury to the firm in question, the Secretary was to certify it to be eligible to apply for adjustment assistance.

(3) The President could provide that the workers in the industry in question could request the Secretary of Labor for certification

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[10] For a few dutiable articles for which no rate existed on July 1, 1934, the President could not increase the rate of duty more than 50 percent above that existing at the time of the proclamation.

[11] Sec. 352(b) authorized the President to issue regulations governing the entry or withdrawal from warehouse of any article covered by such international agreement, and, furthermore, to issue regulations governing the entry or withdrawal from warehouse of a like article from countries not party to an agreement in order to carry out a multilateral agreement concluded among countries accounting for a significant part of world trade in such article. The President delegated his authority under this subsection to the Secretary of the Treasury.

[12] The types of assistance available to eligible firms and groups of workers are discussed in the latter section on adjustment assistance to firms and workers.

of eligibility to apply for the adjustment assistance provided in chapter 3 of the act.[12] Upon a showing by a group of workers in such industry to the satisfaction of the Secretary of Labor that the increased imports (which the Tariff Commission had determined to result from concessions granted under trade agreements) had caused or threatened to cause unemployment or underemployment of a significant number or proportion of workers of such workers' firm or subdivision thereof, the Secretary was to certify such workers to be eligible to apply for adjustment assistance.

(4) The President could take any combination of these actions.

Section 351 of the act provided that, if the President did not, within 60 days following the receipt of an affirmative finding from the Tariff Commission, proclaim the increase in, or imposition of, a duty or other import restriction found by the Tariff Commission, he had to report immediately to both Houses of Congress his reasons for not so doing. If within 60 days thereafter, both Houses of Congress adopted a concurrent resolution stating in effect that they approved the finding of the Tariff Commission, the President, within 15 days after the adoption of the resolution, had to proclaim the increase in, or imposition of, duty or other import restriction found by the Tariff Commission to be necessary to prevent or remedy serious injury to the industry concerned.[13]

The President could, within 60 days after the receipt of an affirmative finding of injury from the Tariff Commission, request additional information from that body. The supplemental report by the Tariff Commission, in response to the President's request, had to be submitted as soon as practicable, but in no event later than 120 days following the receipt of such a request.

Review of escape-clause restrictions.—Section 351 contained several provisions relating to the review of escape-clause restrictions imposed by the President and to their extension or termination. Basically, any increase in, or imposition of, duty or other import restriction pursuant to the escape clause was—in the absence of action by the President—to terminate automatically after being in effect for 4 years.[14] Under certain circumstances, however, the President was authorized to reduce or terminate such a restriction at any time; under other circumstances, he was authorized to extend a restriction, in whole or in part, for such periods as he designated (but not to exceed 4 years at any one time).

[12] The types of assistance available to eligible firms and groups of workers are discussed in the later section on adjustment assistance to firms and workers.

[13] Each House of Congress had to approve the resolution by the affirmative vote of a majority of its authorized membership. Days on which either House was not in session because of adjournment of more than 3 days to a day certain or an adjournment of the Congress sine die were not to be counted for purposes of computing the 60-day period.

[14] Escape-clause restrictions proclaimed by the President under sec. 7 of the Trade Agreements Extension Act of 1951 were to terminate automatically 5 years after the date of the enactment of the Trade Expansion Act of 1962 (Oct. 11, 1962).

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So long as any increase in, or imposition of, any duty or other import restriction remained in effect pursuant to the escape clause, the Tariff Commission was to keep under review developments with respect to the industry concerned and to make annual reports to the President concerning such developments (sec. 351(d)(1)). Although these annual reports would keep the President informed, he could not, until meeting other requirements described below, alter an import restriction he had earlier imposed.

Before the President could reduce or terminate an escape-clause restriction, he was required to take into account advice from the Tariff Commission of its judgment as to the probable economic effect of the reduction or termination of the restriction, and to seek advice of the Secretaries of Commerce and Labor whether such reduction or termination was in the national interest. The Tariff Commission was obligated to advise the President at his request, or it was permitted to do so on its own motion (sec. 351(d)(2)).

Before the President could extend an escape-clause restriction for an additional period, he had to determine that such extension was in the national interest. In doing so, he had to take into account advice received from the Tariff Commission of its judgment as to the probable economic effect of the termination of such restriction, and seek the advice of the Secretaries of Commerce and Labor. The Commission was authorized to advise the President only upon petition on behalf of the industry concerned, which had to be filed not earlier than 9 months nor later than 6 months before the escape-clause restriction would automatically terminate (sec. 351(d)(3)). In effect, then, the procedure to extend an escape-clause restriction beyond the initial 4-year period (or beyond an extended period) could be instituted only by the industry concerned.

In advising the President as to the probable economic effect on the industry concerned of the termination of escape-clause restrictions, the Tariff Commission was to take into account all economic factors which it considered relevant, including idling of productive facilities, inability to operate at a level of reasonable profit, and unemployment or underemployment. The advice was to be given on the basis of an investigation, during the course of which the Commission was to hold a public hearing.

Adjustment assistance to firms and workers

The Trade Expansion Act of 1962 provided two avenues whereby individual firms and groups of workers could become eligible to receive the adjustment assistance provided for in the act. One avenue has been discussed in the previous sections: After receiving a report from the Tariff Commission containing an affirmative finding under section 301 with respect to any industry, the President could authorize the firms

and workers in such industry to apply to the Secretary of Commerce and the Secretary of Labor, respectively, for certification of eligibility. The second avenue, wherein individual firms or groups of workers petitioned the Tariff Commission for a determination of eligibility to apply for adjustment assistance, is discussed below.

Determination of eligibility.—Under section 301 an individual firm or its representative could file with the Tariff Commission a petition for determination of eligibility to apply for adjustment assistance. Upon receipt of such a petition, the Tariff Commission was promptly to make an investigation to determine whether, as a result in major part of concessions granted under trade agreements, an article like or directly competitive with an article produced by the firm was being imported in such increased quantities as to cause, or threaten to cause, serious injury to such firm. In making its determination, the Tariff Commission was to take cognizance of all economic factors which it considered relevant, including idling of the firm's productive facilities, the firm's inability to operate at a level of reasonable profit, and unemployment or underemployment of workers in the firm.

Also under section 301, a group of workers, or their certified or recognized union or other duly authorized representative, could file with the Tariff Commission a petition for determination of eligibility to apply for adjustment assistance. When it received such a petition, the Tariff Commission was promptly to conduct an investigation to determine whether, as a result in major part of concessions granted under trade agreements, an article like or directly competitive with an article produced by such workers' firm, or an appropriate subdivision thereof, was being imported into the United States in such increased quantities as to cause, or threaten to cause, unemployment or underemployment of a significant number or proportion of the workers of such firm or subdivision.

For purposes of any investigation to determine the eligibility of a firm or group of workers for adjustment assistance, the Commission was to consider that increased imports caused, or threatened to cause, serious injury to a firm or unemployment or underemployment of a group of workers, as the case might be, whenever it found that such increased imports had been the major factor in causing, or threatening to cause, such injury or unemployment or underemployment. The Tariff Commission was to hold public hearings, if so requested by the petitioner, or if, within 10 days after notice of the filing of a petition, a hearing was requested by any other party demonstrating a proper interest in the matter.

The results of each investigation had to be reported to the President not later than 60 days after the date of filing of the petition. After an affirmative finding by the Tariff Commision of injury to a firm or group of workers, the President could certify that such firm or group of workers was eligible to apply for adjustment assistance. The President delegated

his certifying authority with respect to a firm to the Secretary of Commerce, and with respect to a group of workers, to the Secretary of Labor.[15]

Types of assistance to firms.—Adjustment assistance to firms could consist of technical, financial, or tax assistance. Such measures might be provided separately or collectively.

Under the provisions of section 311, a firm certified as eligible to apply for adjustment assistance could apply for such assistance to the Secretary of Commerce at any time within 2 years after certification. Within a reasonable time after making application, the firm would have to submit a proposal for its economic adjustment. Except for technical assistance rendered to assist a firm to prepare an adjustment proposal, no adjustment assistance could be authorized until the Secretary of Commerce had certified that the adjustment proposals of the firm (1) were reasonably calculated to contribute materially to the economic adjustment of the firm, (2) gave adequate consideration to the interests of the workers of such firm adversely affected by actions taken in carrying out trade agreements, and (3) demonstrated that the firm would make all reasonable efforts to use its own resources for economic development.

Under section 312, once the Secretary of Commerce had certified a firm's economic adjustment proposal, he then had to refer it to the agency or agencies he determined appropriate to provide the technical and financial assistance called for. Each such agency was to examine the features of the proposal relevant to its functions and inform the Secretary of Commerce which parts of the proposed technical and financial assistance it was prepared to furnish. To the extent that an agency determined not to provide assistance, and if the Secretary of Commerce determined that such assistance was necessary to carry out the adjustment proposal, the Secretary was authorized to provide such assistance on the terms and under the conditions he determined to be appropriate.

Technical assistance to firms (sec. 313) could consist of such aids as information, market and other economic research, managerial advice and training, and assistance in research and development. To the maximum extent practicable, technical assistance was to be furnished through existing agencies of the Federal Government. Financial assistance (sec. 314) could be in the form of loans, guarantees of loans, or agreements for deferred participation in loans. Such financial assistance was to be used by the firm for acquisition or expansion of fixed capital; in cases determined by the Secretary of Commerce to be exceptional, it could be used for working capital. Tax assistance (sec. 317) would permit a firm to carry back a net operating loss to each of the 5 taxable years

[15] 48 CFR 1.7 and 1.8. The Tariff Commission reports, as well as transcripts of hearings and briefs relating thereto, were to be transmitted to the President through the appropriate Secretary.

preceding the year of the loss, rather than to just 3 years as provided by the Internal Revenue Code of 1954. The extended carryback period could be applied only with reference to operating losses incurred in taxable years ending on or after December 31, 1962, for which the Secretary of Commerce had issued a specific certification.

Types of assistance to workers.—Adjustment assistance to workers could consist of trade readjustment (unemployment) allowances (secs. 322–325), training (secs. 326 and 327), and relocation allowances (secs. 328–330). An unemployed or underemployed worker in a group of workers that had been certified for adjustment assistance could apply for unemployment compensation, i.e., trade readjustment allowances. Such weekly allowances were to amount to the lesser of 65 percent of the worker's average weekly wage or 65 percent of the average manufacturing wage, reduced by 50 percent of the amount of the worker's remuneration for services performed during such week. Such payments were generally to be limited to 52 weeks, except that a worker who was 60 years of age or older at the time of separation was entitled to 13 additional weeks, and a worker who was undergoing approved training was to receive up to 26 additional weeks of allowances if needed to enable him to complete such training.

Adversely affected workers were to be afforded, where appropriate, the testing, counseling, placement, and training facilities provided under any Federal law. Transportation and subsistence payments were authorized when the training provided was not within commuting distance of the worker's residence. A worker who was the head of a family and who had been totally separated from adversely affected employment could qualify for relocation allowances. Such allowances were to be paid for moves within the United States when the Secretary of Labor determined that the worker to receive the allowance did not have reasonable prospects of gaining suitable employment within commuting distance of his place of residence, and that he had a suitable job elsewhere or a bona fide offer of such a job.

General Provisions

The Trade Expansion Act included provisions relating to the generalization of trade-agreement concessions, the restriction of imports that might impair national security, and the conservation of fishery resources.

Generalization of concessions

Under section 251 of the act, any duty or other import restriction proclaimed to carry out a trade agreement was, in general, to apply to products of all foreign countries. The legal requirement that the duties resulting from trade-agreement concessions be thus generalized had been a part of U.S. trade agreements legislation since the passage of the

original trade agreements act in 1934. However, the 1962 act, like earlier trade agreements legislation, established several exceptions to the generalization policy; those established by the 1962 act related chiefly to the goods of Communist-dominated countries and to unjustifiable and unreasonable foreign import restrictions.

Section 231 directed the President, as soon as practicable, to prevent the application of trade-agreement rates of duty to products, whether imported directly or indirectly, of any country or area dominated or controlled by Communism. The language of the section differed somewhat from the earlier directive contained in trade agreements legislation, which referred to "the Union of Soviet Socialist Republics and . . . any nation or area dominated or controlled by the foreign government or foreign organization controlling the world Communist movement." [16] According to the report of the House Ways and Means Committee on H.R. 11970, the change in language was intended to assure that Cuba, Poland, and Yugoslavia were included among the "Communist countries" denied trade-agreement rates of duty. At the time the Trade Expansion Act of 1962 became law, Cuba was in fact denied trade-agreement rates of duty (pursuant to sec. 401(a) of the Tariff Classification Act of 1962 [17]), but Poland and Yugoslavia were not.

Section 252 of the act authorized the President to counter unreasonable and unjustifiable foreign import restrictions, among other ways, by not applying trade-agreement rates of duty to products of the foreign country concerned. Section 252 set forth the following provisions:

> (1) The President was directed to take all appropriate and feasible steps within his power to eliminate unjustifiable foreign import restrictions whenever they impaired the value of tariff commitments made to the United States, oppressed the commerce of the United States, or prevented the expansion of foreign trade. The President was not to obtain the reduction or elimination of any such unjustifiable restriction by offering in negotiations to remove or reduce any import restriction of the United States.
>
> (2) Notwithstanding any provision of any trade agreement, and to the extent he deemed necessary and appropriate, the President was directed to impose duties or other import restrictions on the products of any country establishing or maintaining unjustifiable import restrictions against U.S. agricultural products when he deemed such action necessary and appropriate to provide access for U.S. agricultural products to the markets of that country on an equitable basis.
>
> (3) To the extent that such action was consistent with the purposes stated in the act, the President was directed to deny the benefits of existing trade-agreement concessions to, or to refrain from proclaiming the benefits of any new concession to carry out a trade agreement with, any foreign country which maintained non-

[16] Sec. 5 of the Trade Agreements Extension Act of 1951.

[17] Public Law 87-456, approved May 24, 1962.

tariff trade restrictions, including variable import fees, which substantially burdened the commerce of the United States in a manner inconsistent with the provisions of trade agreements or engaged in discriminatory or other treatment unjustifiably restricting U.S. commerce.

(4) The President was authorized to deny the benefits of existing trade-agreement concessions to, or to refrain from proclaiming new concessions to carry out a trade agreement with, any foreign country maintaining unreasonable import restrictions which substantially burdened the commerce of the United States, either directly or indirectly. In taking such action, the President was directed to act with due regard for the international obligations of the United States and for the stated purposes of the act.

Section 252 also directed the President to provide an opportunity for interested parties to present their views at appropriate public hearings concerning unjustifiable and unreasonable foreign import restrictions. The President delegated his responsibilities under section 252 to the Special Representative for Trade Negotiations.

National security provisions

The national security provisions of the act (sec. 232) directed the President to reserve from trade-agreement negotiations any article on which a reduction in duty or other import restrictions would threaten to impair the national security, as well as to control entries of any article being imported in such quantities or under such circumstances as to threaten to impair the national security. These provisions were nearly identical to the national security provisions of the previous trade agreements legislation (i.e., those contained in the Trade Agreements Extension Act of 1958). Section 225(a) further directed the President to reserve from trade-agreement negotiations for the reduction or the elimination of duty any article for which an action was in effect under the national security provisions of the Trade Expansion Act or the comparable provisions of earlier trade agreements legislation.

Also under section 232, the Director of the Office of Emergency Planning was required, upon the request of the head of any department or agency, upon the application of an interested party, or upon his own motion, to conduct an investigation to determine the effects on the national security of imports of any article. Such investigations presumably could be conducted at any time and on any article (whether or not a trade-agreement concession had been granted thereon). If the investigation established to the satisfaction of the Director that the subject article was being imported in such quantities or under such circumstances as to threaten to impair the national security, he was to so advise the President. In turn, the President, unless he determined that the article was not being imported in such quantities or under such circumstances as to threaten to impair the national security, was to take such action as he considered necessary to "adjust" imports of such article so that they would

not threaten to impair the national security. The President's authority to impose import restrictions under these circumstances was unlimited; he could, for example, impose an import duty higher than 50 percent above that in effect in 1934 (the limit for escape-clause restrictions).

During the course of each investigation, the Director was to seek information and advice from other appropriate departments and agencies. Without excluding other relevant factors, the Director and the President were also to consider a number of criteria set forth in section 232. The Director was to publish a report on his disposition of each investigation.

Fishery resources

The provisions of the Trade Expansion Act on the conservation of fishery resources (sec. 257(i)) were not related directly to the U.S. trade agreements program. The provisions, rather, directed the President, upon convocation of a conference, to seek to persuade countries whose practices or policies affect international fishery resources to negotiate relating to the use or conservation of such resources. If, in the President's judgment, a country whose fishery conservation policies or practices affected the interests of the United States and other countries that were willing to negotiate failed or refused to negotiate in good faith relating to such practices, the President was authorized to increase the rate of duty on any fish product imported from such a country for such time as he deemed necessary. The rate of duty could be increased to a level not more than 50 percent above the rate existing on July 1, 1934.

Administrative Provisions

Procedures for administering the Trade Expansion Act of 1962 were provided for in part by the act itself and in part by Executive orders and directives. The Executive documents included Executive Order 11075 of January 15, 1963, Executive Order 11106 of April 18, 1963, and Executive Order 11113 of June 13, 1963.[18] The Special Representative for Trade Negotiations and the Chairman of the Trade Information Committee (see below) also issued regulations.[19] All of the Executive documents were made part of title 48 of the Code of Federal Regulations.

Special Representative for Trade Negotiations

Under section 241 of the Trade Expansion Act, the President was required to appoint, by and with the advice and consent of the Senate, a Special Representative for Trade Negotiations. The Special Representative was to serve as the chief representative of the United States at trade-agreement negotiations. He was also designated to be chairman of the interagency advisory committee provided for by section 242 of

[18] 28 F.R. 473, 28 F.R. 3911, and 28 F.R. 6183, respectively.

[19] The regulations of the Trade Information Committee were not issued until Aug. 2, 1963, which was after the close of the period covered by this report. They are referred to here, however, in order to complete the references to the administration of the act.

the act. Generally, the Special Representative was to assist the President in the administration of the trade agreements program and to advise the President with respect to nontariff barriers to international trade, international commodity agreements, and other matters relating to the operation of the trade agreements program. By Executive order, the President also created the positions of two Deputy Special Representatives for Trade Negotiations. The Deputy Special Representatives were assigned the principal function of conducting trade-agreement negotiations; they were also to perform such additional duties as the Special Representative might direct.

The committee complex

To carry out the traditional interdepartmental administration of the trade agreements program, the Congress and the Executive established a series of governmental committees. In effect, many of the newly identified committees were counterparts of committees that had functioned under earlier legislation and Executive orders.

Trade Expansion Act Advisory Committee.—Pursuant to section 242, the President established the Trade Expansion Act Advisory Committee. The Committee was composed of the Special Representative for Trade Negotiations (chairman) and the Secretaries of Agriculture, Commerce, Defense, Interior, Labor, State, and Treasury. Each Secretary was authorized to designate an official from his department (who had status not below that of Assistant Secretary) as his alternate on the Committee. The Special Representative was authorized to designate the Deputy Special Representative for a similar purpose.

Under section 242, the advisory committee was to (1) make recommendations to the President on basic policy issues arising in the administration of the trade agreements program; (2) make recommendations to the President with respect to reports concerning tariff adjustment submitted to him by the Tariff Commission; (3) advise the President respecting foreign import restrictions; and (4) perform such other functions relating to the operation of the trade agreements program as the President designated.

Trade Executive Committee.—The Trade Executive Committee was composed of the Deputy Special Representative for Trade Negotiations (chairman) and representatives designated from their respective departments by the Secretaries of Agriculture, Commerce, Defense, Interior, Labor, State, and Treasury. The members of the Committee so designated were to be equal in status at least to Assistant Secretary. Alternate members of the Committee, with rank at least equal to that of Deputy Assistant Secretary, could be chosen by the Secretaries of the respective departments and by the Special Representative.

The functions of the Trade Executive Committee were to (1) plan, direct, and coordinate interagency activities concerning the trade agree-

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ments program and related matters; (2) recommend policies and actions, and transmit appropriate materials, to the Special Representative concerning the trade agreements program and related matters, or, when appropriate, approve such policies and actions; (3) supervise and direct the activities of the Trade Staff Committee and the Trade Information Committee (see below); and (4) perform such other functions as the Special Representative might from time to time determine.

Trade Staff Committee.—The Trade Staff Committee was composed of a chairman chosen from his office by the Special Representative and of officials designated from their respective agencies by the Secretaries of Agriculture, Commerce, Defense, Interior, Labor, State, and Treasury, and by the Chairman of the Tariff Commission. The official from the Tariff Commission was to be a nonvoting member; he was not to participate in the discussion of any policy matter or in the consideration of any report submitted by the Tariff Commission.

The functions of the Trade Staff Committee were to—

(1) Obtain information and advice from agencies and other sources concerning any proposed trade agreement, and furnish summaries of such information and advice, together with recommendations of action with respect thereto, to the Trade Executive Committee;

(2) Review summaries of information concerning any proposed trade agreement furnished by the Trade Information Committee and transmit such summaries, together with recommendations of action with respect thereto, to the Trade Executive Committee;

(3) Review summaries of information concerning foreign import restrictions furnished by the Trade Information Committee, and transmit recommendations of action with respect thereto through the Trade Executive Committee to the Trade Expansion Act Advisory Committee;

(4) Review reports concerning tariff adjustment submitted by the Tariff Commission, and transmit such reports, together with recommendations of action with respect thereto, through the Trade Executive Committee to the Trade Expansion Act Advisory Committee;

(5) Review all materials required to be furnished by the Tariff Commission to the President through the Special Representative, and transmit such materials, together with recommendations of action with respect thereto, to the Trade Executive Committee;

(6) Recommend policies and actions to the Trade Executive Committee concerning the trade agreements program and related matters, or, when appropriate, approve such policies and actions;

(7) Keep regularly informed of the operation and effect of the trade agreements program and related matters; and

(8) Perform such other functions as the Trade Executive Committee might from time to time determine.

Trade Information Committee.—The Trade Information Committee consisted of a chairman appointed from his office by the Special Representative and of officials designated from their respective agencies by the

Secretaries of Agriculture, Commerce, Defense, Interior, Labor, State, and Treasury.

The functions of the Trade Information Committee were to—

(1) Provide an opportunity, by the holding of public hearings and by such other means as it deemed appropriate, for any interested party to present an oral or written statement concerning any proposed trade agreement, and furnish summaries of such hearings and other pertinent information so received to the Trade Staff Committee;

(2) Provide an opportunity, by the holding of public hearings upon request by any interested party, and by such other means as it deemed appropriate, for any interested party to present an oral or written statement concerning foreign import restrictions, and furnish summaries of such hearings and other pertinent information so received to the Trade Staff Committee and the Trade Expansion Act Advisory Committee;

(3) Provide an opportunity, by such means as it deemed appropriate, for any interested party to present an oral or written statement concerning any other aspect of the trade agreements program and related matters, and furnish summaries of pertinent information so received to the Trade Staff Committee;

(4) Issue regulations governing the conduct of its public hearings and the performance of such of its other functions as it deems necessary; and

(5) Perform such other functions as the Trade Executive Committee might from time to time determine.

Adjustment Assistance Advisory Board.—Section 361 of the Trade Expansion Act provided for an Adjustment Assistance Advisory Board. The Board consisted of the Secretary of Commerce (chairman), the Secretaries of the Treasury, Agriculture, Labor, Interior, and Health, Education, and Welfare, the Administrator of the Small Business Administration, and such other members as the President might designate. The function of the Adjustment Assistance Advisory Board was to advise the President and the agencies furnishing adjustment assistance under the act on the development of coordinated programs for assistance to firms and workers. The Chairman of the Advisory Board was authorized to appoint industry committees composed of representatives of employers, workers, and the public, for the purpose of advising the Board.

Congressional representation at negotiations

Section 243 of the Trade Expansion Act directed the President to select, upon the recommendation of the Speaker of the House of Representatives, two members of the House Committee on Ways and Means, and, upon the recommendation of the President of the Senate, two members of the Senate Committee on Finance to be accredited as members of the U.S. delegation to any trade-agreement negotiation. The congressional delegates thus chosen, with respect to each House of Congress, were not to be members of the same political party.

Chapter 2

Developments Relating to the General Agreement on Tariffs and Trade

INTRODUCTION

The General Agreement on Tariffs and Trade (GATT) is a multilateral agreement to which the United States and 49 other countries were full contracting parties at the close of the period under review.[1] The General Agreement consists of two parts: (1) The so-called general provisions which set forth rules for the conduct of trade between contracting parties, and (2) the schedules of tariff concessions agreed upon at various multilateral negotiations sponsored by the Contracting Parties.[2]

On July 1, 1962, the beginning of the period covered by this report, the following 41 countries were full contracting parties: Australia, Austria, Belgium, Brazil, Burma, Canada, Ceylon, Chile, Cuba, Czechoslovakia, Denmark, the Dominican Republic, Finland, France, the Federal Republic of Germany, Ghana, Greece, Haiti, India, Indonesia, Italy, Japan, Luxembourg, Malaya, the Netherlands, New Zealand, Nicaragua, Nigeria, Norway, Pakistan, Peru, Portugal, the Federation of Rhodesia and Nyasaland, Sierra Leone, South Africa, Sweden, Tanganyika, Turkey, the United Kingdom, the United States, and Uruguay. By June 30, 1963, 9 additional countries—Cameroon, the Central African Republic, Congo (Brazzaville), Gabon, Israel, Kuwait, Trinidad and Tobago, Uganda, and Upper Volta—had become contracting parties, thus expanding membership in the General Agreement to 50 countries.

Also by June 30, 1963, five countries had acceded provisionally to the General Agreement (Argentina, Switzerland, Tunisia, the United Arab Republic, and Yugoslavia); nine others were applying the terms of the General Agreement on a de facto basis (Chad, Congo (Leopoldville), Cyprus, Ivory Coast, Jamaica, Madagascar, Mauritania, Senegal, and

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

[2] In a functional sense, the GATT has a third part. Through periodic meetings of the Contracting Parties, an institutional framework has been developed which provides a means for members to discuss complaints and problems.

Togo). The GATT members in general applied the terms of the agreement to six newly independent countries while awaiting their action to become members (Algeria, Burundi, Dahomey, Mali, Niger, and Rwanda). Cambodia, Poland, and Spain participated in the work of the General Agreement under special arrangements. The Republic of Korea, which had negotiated tariff concessions at Torquay in 1950–51 with the intention of becoming a contracting party but had been unable to meet all the requirements, was granted observer status.

The Contracting Parties to the General Agreement meet from time to time to further the objectives of the agreement and to resolve problems that may arise. During the period under review, the 20th Session of the Contracting Parties was held at Geneva, Switzerland, from October 23 to November 16, 1962; a meeting of Ministers was held in May 1963 to consider a program for the expansion of international trade. The Council of Representatives (usually referred to simply as the Council), which deals with matters that require attention between sessions, met in July and October 1962, and in February, April–May, and June 1963. This chapter summarizes developments during the 12-month period July 1, 1962, through June 30, 1963, under four headings: (1) The expansion of international trade, (2) regional economic groupings, (3) items arising from the operation of the agreement, and (4) other developments relating to the agreement.

THE EXPANSION OF INTERNATIONAL TRADE

During the period under review, the Contracting Parties continued to follow a broad program directed to the expansion of international trade. In 1958 they had established three committees to study the existing obstacles to international trade. Committee I began preparing for new tariff negotiations (the 1960–61 GATT tariff Conference); committee II was directed to study problems arising out of the widespread use of nontariff measures to protect agriculture; and committee III was authorized to consider other obstables to the expansion of trade, with special attention to the problems of the less developed countries.

At the 20th Session, the United States and Canada jointly proposed that a Ministerial Meeting be held to consider a program for increased international trade. Accordingly a meeting of the Ministers of all contracting parties was held at Geneva in May 1963; the Ministers considered arrangements for the reduction or elimination of tariffs and other barriers to trade, measures for access to markets for agricultural and other primary

products, and measures for the expansion of trade of developing countries as a means of furthering their economic development.[3]

Arrangements for the Reduction or Elimination of Tariffs and Other Barriers to Trade

At both the 20th Session in November 1962 and the Ministerial Meeting in May 1963, the Contracting Parties developed plans for the conduct of a major tariff conference—the sixth to be sponsored by them.

While the fifth GATT tariff Conference (the so-called Dillon round in 1960–62) was still in progress, the Contracting Parties [4] appointed a working group on tariff reductions to study new procedures and techniques of negotiating reductions of tariff barriers. The working group reported to the Contracting Parties at the Ministerial Meeting in May 1963. At their meeting, the Ministers decided to hold a sixth round of tariff negotiations under the General Agreement, at Geneva beginning May 4, 1964. The negotiations were to cover all classes of products, and were to deal not only with tariffs but also with nontariff barriers. The negotiations were to be based upon a plan for so-called linear tariff reductions, i.e., reduction of all or nearly all individual rates of duty in each country's tariff by an agreed percentage. Items excepted from the linear reduction were to be kept to a minimum. Wherever there were significant disparities in tariff levels, tariff reductions were to be based upon "special rules of general and automatic application."

The Ministers noted that (1) a problem of reciprocity might arise for countries whose import duties were generally lower than those of other participating countries; (2) the negotiations ought to provide for acceptable conditions of access to world markets for agricultural products; and (3) vigorous efforts should be directed to the reduction of barriers to exports of the less developed countries, even though the developed countries could not expect to receive full reciprocity from the less developed countries.

[3] The Governments of Algeria, Argentina, Ghana, Guinea, India, Indonesia, Jordan, Mali, Morocco, Nepal, Nigeria, Pakistan, Sudan, Tanganyika, Thailand, the United Arab Republic, Venezuela, and Yugoslavia, acting independently of the General Agreement, had submitted a draft resolution in the General Assembly of the United Nations in October 1962, proposing that a United Nations Conference on Trade and Development be convened in June 1963. The resolution, with various amendments, was endorsed and supported by many other less developed countries. The Assembly had adopted the resolution in amended form in December 1962 by a vote of 91 to 0, and the Conference had later been scheduled for March 1964.

[4] Acting at their 19th Session in late 1961.

The Ministers established a Trade Negotiations Committee, composed of representatives of all the countries scheduled to participate in the negotiations. The Committee was instructed to prepare recommendations on (1) the depth of the linear tariff reductions to be sought, and the rules for exceptions; (2) the criteria for determining significant disparities in tariff levels and the special rules that should be applicable for tariff reductions in these instances; (3) guides for ascertaining reciprocity for countries whose tariff levels were already low; (4) rules for negotiating acceptable conditions of access to world markets for agricultural products; and (5) the treatment of nontariff barriers.

Measures Facilitating Access to Markets for Primary Products

During the period under review, committee II held consultations with the European Economic Community (EEC) regarding its developing agricultural policies; special study groups on cereals, meat, and dairy products continued to seek means of increasing international trade in those products, and the Ministers, meeting in May 1963, sought ways to reduce trade barriers on agricultural products during the anticipated sixth round of negotiations under the General Agreement.

In May 1962 the GATT Council had requested committee II to examine the EEC regulations providing for the progressive establishment of common markets in grains, pork, eggs, poultry, fruits, vegetables, and wine. To carry out its common agricultural policy, the EEC promoted uniform prices throughout the Community for the designated commodities and imposed flexible import levies to bring the prices of the imported articles up at least to the prices established internally. Moreover, EEC exports of the designated commodities were to be maintained by means of a subsidy. The effects of these policies, which were unfavorable to some traditional suppliers, were examined in detail by committee II at a meeting in the fall of 1962 and discussed by the contracting parties at their 20th Session. Many committee members, including representatives of the United States, Australia, Canada, Argentina, and South Africa, were critical of some facets of the EEC's common agricultural policy.[5] Ultimately, the report of committee II was adopted by the Contracting Parties at the 20th Session.

At various times, the Contracting Parties established special study groups to deal with problems relating to the international trade in specific commodities. A group on cereals had been created in November 1961, and a group on meat, in February 1962. During the period under

[5] For details of the critical comments, see "Consultations With EEC in GATT Committee II and Discussion of Report at 20th Session of the Contracting Parties to GATT," report prepared by the Chairman of the U.S. delegation to the committee II consultations, John W. Evans, Counselor of Mission for Economic Affairs, Geneva, in *Seventh Annual Report of the President of the United States on the Trade Agreements Program*, pp. 38–40

review, the two groups continued to gather data, but did not meet formally. At the Ministerial Meeting in May 1963, a group on dairy products was established. The GATT Executive Secretary was authorized to call meetings of the groups when deemed appropriate.

In other actions, committee II noted changes in the agricultural policies of Sweden and the Federation of Rhodesia and Nyasaland, and approved the reports on consultations held previously with Pakistan and Chile.[6]

Measures for the Expansion of Trade of Developing Countries[7]

Committee III, concerned with the promotion of the international trade of the less developed countries, met in October and November 1962. The committee reviewed the steps that had been taken by various of the more economically advanced GATT members to reduce their import restrictions on the major products exported by the less developed countries. Particular attention was paid to restrictions that were contrary to the provisions of the General Agreement. The committee concluded that, while considerable progress had been made, much remained to be done.

At its meetings, committee III considered a seven-point trade expansion program proposed by 21 less developed countries.[8] The sponsoring countries were Argentina, Brazil, Burma, Cambodia, Ceylon, Chile, Cuba, Ghana, Haiti, India, Indonesia, Israel, the Federation of Malaya, the Federation of Nigeria, Pakistan, Peru, Tanganyika, Tunisia, the United Arab Republic, Uruguay, and Yugoslavia. In brief, the 21 countries proposed that the industrial countries should (1) impose no new barriers, tariff or nontariff, against the exports of the less developed countries, (2) eliminate quantitative restrictions which were inconsistent with the General Agreement and limited the exports of less developed countries no later than the end of 1965, (3) permit duty-free entry of tropical products by the end of 1963, (4) eliminate duties on imported industrial raw materials, (5) reduce by at least 50 percent or eliminate tariffs on certain semiprocessed and processed products exported by less developed countries, (6) progressively reduce, and eliminate by the end of 1965, all internal charges and revenue duties on products wholly or mainly produced in the less developed countries (e.g., cocoa, coffee, and

[6] The committee's review of Chile's temporary system of import surcharges, which replaced a system of advance deposits on agricultural imports, was relevant to the Contracting Parties' extension of a waiver granted to Chile on May 27, 1959. See the later section of this chapter on waivers of obligations.

[7] See also the section on releases from obligations (art. XVIII).

[8] Contracting Parties to the General Agreement on Tariffs and Trade, *Basic Instruments and Selected Documents*, 11th supp., Geneva, 1963, pp. 204–206. This series will hereafter be referred to as *Basic Instruments* . . . .

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tea), and (7) report and consult annually on the progress made in implementing this program.

Committee III submitted the seven-point proposal to the Contracting Parties at the 20th Session. Although there was considerable support for the proposal among the contracting parties, it was referred to the Ministerial Meeting. The Ministers formally adopted the seven-point program proposed by the 21 countries; an eighth objective was added, namely, to facilitate the efforts of less developed countries to diversify their economies, strengthen their capacity to export, and increase their earnings from overseas sales. Several of the contracting parties, however, entered formal reservations. The Ministers of member States of the European Economic Community endorsed in principle the stated objectives, but recommended that their attainment be sought primarily through international commodity agreements. The Ministers of other industrialized countries stipulated that the anticipated reductions of duties and other trade barriers would have to be extended in the course of regular tariff negotiations. Some contracting parties also made reservations concerning target dates or other details of the proposals. The United States, for example, pointed out that its legislation required duty reductions to be staged over a period of 5 years.

Before the period here considered, the GATT Council, on recommendation of committee III, had established a special group on trade in tropical products to consider a proposal by Nigeria that tropical products be accorded free entry into all GATT countries. To prepare recommendations to the Contracting Parties, the group met in June 1962 and in April 1963. Its recommendations to the Contracting Parties were in two parts—general recommendations and recommendations relating to individual products. In its general recommendations, which were not supported by the representatives of the European Economic Community, the group proposed broadly that the GATT members should (1) accord free access to their markets for tropical products, (2) refrain from imposing new trade barriers on those products, (3) remove revenue duties and internal charges on tropical products, and (4) deal with barriers to trade and restraints on consumption of tropical products in the context of trade negotiations.

The special group unanimously recommended that the Contracting Parties should grant free entry to imports of tea and tropical timber. It proposed that an international commodity agreement be negotiated for cocoa and that tariffs and internal charges on that product be removed. The EEC, however, advocated that a price stabilization agreement should be the primary objective. The group also recommended that the GATT members should adhere to the International Coffee Agreement, remove tariffs and internal charges on coffee by the end of 1963, and negotiate within the framework of the General Agreement to eliminate remaining

barriers to trade in that product; the EEC and associated States refrained from endorsing the latter two proposals.

The recommendations of the special group on tropical products were considered at the Ministerial Meeting in May 1963. Although the Ministers did not resolve a number of problems, they did agree that industrial countries should reduce progressively, and eliminate by the end of 1965, all internal charges and revenue duties on products wholly or mainly produced in the less developed countries, such as cocoa, coffee, and tea.

REGIONAL ECONOMIC GROUPINGS

GATT members participating in the formation of customs unions or free-trade areas are required to report to the Contracting Parties on pertinent developments relating thereto. During the period under review, reports were submitted pertaining to the European Economic Community (established in 1958), the Central American free-trade area (1959), the European Free Trade Association (EFTA) (1960), the Latin American Free Trade Association (LAFTA) (1961), the Ghana-Upper Volta Trade Agreement (1961), the African Common Market (1962),[9] and the Borneo free-trade area (1962).[10]

Article XXIV of the General Agreement permits contracting parties, under specified conditions, to enter into either a customs union or a free-trade area with one another or with countries not parties to the agreement. Customs unions and free-trade areas represent two approaches to trade and commercial integration by countries seeking that end. Both aim to abolish tariffs and other trade barriers between the participating countries. A primary difference between them is that countries participating in a customs union maintain, or plan eventually to maintain, a common tariff and other common trade restrictions vis-a-vis all outside countries; the participants in a free-trade area, on the other hand, retain freedom with respect to their external tariffs and other trade restrictions.

Major developments in the EEC, EFTA, and LAFTA are discussed in chapter 4 of this report. The contracting parties which were members of each group reported on these developments to the Contracting Parties; the principal features of the reports will be dealt with here.

European Economic Community

The chief developments within the European Economic Community that concerned the Contracting Parties during the period under review

[9] Although the treaty for establishment of the African Common Market was signed at Cairo on Apr. 1, 1962, it did not enter into force.

[10] The association of Greece with the EEC technically formed a separate customs union, and the EEC reported on behalf of it; similarly, the joining of Finland into the EFTA technically formed a separate free-trade area, but the EFTA reported on its behalf.

were (1) the negotiations between the 6 European member States and 18 associated, newly independent African States, (2) the association of Greece with the Community, (3) the problems arising from the progressive establishment of a common external tariff, and (4) the steps taken toward implementation of a common agricultural policy (CAP). Negotiations for the accession of the United Kingdom, Ireland, Denmark, and Norway to the EEC were under way during the period; though of great interest to all parties to the General Agreement, these negotiations were terminated without action by the Contracting Parties. Negotiations for the association of Turkey with the Community were also under way during the period.

The EEC representative reported at the 20th Session that negotiations for the continued association of 18 African States with the EEC were in progress. These States formerly were colonies of the EEC members. The anticipated association would involve preferential treatment by the EEC for products of the African States concerned. In other contexts, however, many less developed countries were urging that they be granted similar access to the markets of industrialized countries for tropical products.

A working party appointed at the 19th Session to examine the text of the agreement signed at Athens on July 9, 1961, for the association of Greece with the EEC submitted its report at the 20th Session. The agreement had provided special terms for the progressive integration of Greece into the EEC. A maximum period of 22 years beginning November 1, 1962, was allowed for achieving such integration; the first alinement of the Greek tariff toward the common external tariff, and the first steps toward the elimination of trade restrictions between Greece and the EEC, were to be made within 3 years. The working party analyzed the agreement of association and found its provisions generally in accord with the objectives of the General Agreement. Accordingly, the Contracting Parties gave qualified approval to it.

Although the European Economic Community entered its second stage in January 1962, the Contracting Parties to the General Agreement, at their 20th Session in November 1962, were not yet able to agree that the EEC's prospective common external tariff met the standards established by GATT article XXIV:5(a). That article provides that the duties and other regulations of commerce imposed by a customs union shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the member States before the formulation of the customs union. The rates of duty in the EEC's common external tariff were generally to be the arithmetic average of the corresponding rates in the existing tariffs of the member States. Some contracting parties held that the EEC had fixed certain rates of duty at levels higher than article XXIV:5(a) would permit. This, they

said, was accomplished by calculating the rates on the basis of duties that were legally provided for, but not actually applied. At the 20th Session, the GATT Executive Secretary, acting at the request of the Contracting Parties, rendered the opinion that, in the computation of a common external tariff, it would be reasonable to use duties which had been temporarily lowered or suspended, but not duties which had never actually been applied or were not likely to be applied. The Contracting Parties discussed the Secretary's opinion, but took no further action.

As part of its second stage, the EEC adopted a common agricultural policy, which would lead to special arrangements governing internal and external trade in agricultural products. Of particular concern to many GATT members was the EEC's system of variable levies and other restrictions on imports of grains, pork, eggs, poultry, fruit, vegetables, and wine. Committee II, which studied the EEC's common agricultural policy, reported at the 20th Session.[11]

European Free Trade Association

At the 20th Session, the European Free Trade Association, on behalf of its members, Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom, submitted its second annual report to the GATT Contracting Parties. Representatives of EFTA reported that an accelerated timetable had been adopted for the reduction of duties on industrial products traded among the member countries.[12] Similar action respecting agricultural and fisheries products had been postponed pending the negotiations of Denmark, Norway, and the United Kingdom for accession to the European Common Market.

The report also indicated that the affiliation of Finland with the Association was proceeding along lines similar to actual membership, and that Finland had introduced substantial duty reductions on its imports from the member countries.

Central American Free-Trade Area

At the 20th Session, Nicaragua reported to the Contracting Parties on its actions under various treaties leading to the formation of a Central American customs union.

The Central American countries—Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama—had each participated, in varying degree, in moves toward economic integration. El Salvador, Guatemala, Honduras, and Nicaragua had ratified the 1959 Multilateral Central American Free Trade and Economic Integration Treaty and the 1961 General Treaty for Central American Economic Integration. Costa Rica

[11] See the earlier section of this chapter on measures facilitating access to markets for primary products.

[12] For a discussion of tariff reductions within the EFTA, see ch. 4 of this report.

had signed, but not ratified, the former treaty, and had not signed the latter; Panama had not signed either. Costa Rica, Nicaragua, and Panama, however, had signed the 1961 Treaty of Preferential Interchange and Free Trade; at the close of the period covered here, the first two had ratified it, but Panama had not.

Nicaragua was the only participant in the series of treaties that was a contracting party to the General Agreement. As early as 1956, the Contracting Parties had granted Nicaragua the right to claim the benefits of certain provisions of article XXIV arising out of its proposed free-trade area with other Central American countries.[13] At the 20th Session, Nicaragua reported on its participation in Central American integration; the report consisted mainly of statistics on the foreign trade of the participating countries for the period July–December 1961.[14]

Latin American Free Trade Association

On behalf of Brazil, Chile, Peru, and Uruguay, members which were also contracting parties to the General Agreement, the Latin American Free Trade Association transmitted to the Contracting Parties at their 20th Session a report on its activities through August 15, 1962. The Montevideo Treaty, which established LAFTA, had entered into force on June 1, 1961. During the period under review, Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, and Uruguay were members.

The LAFTA report covered primarily the results of its second general Conference at Mexico City from August to November 1962;[15] the first Conference had been held at Montevideo in September–December 1961, and a special Conference, in January–March 1962. In reporting to the Contracting Parties, the Association was unable to submit statistics pertaining to the economic effects of the area's trade agreements. Questions of primary concern to the Contracting Parties were whether intra-area trade had increased and whether trade with third countries had been diverted. In the discussion of the LAFTA report, the representatives of Australia and the European Economic Community urged that better statistics be supplied in the future, and more promptly; the representative of Nigeria questioned whether the interests of third countries were adequately safeguarded. LAFTA's representative announced at the 20th Session that a third conference would take place in 1963.

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[13] Decision of Nov. 13, 1956 (*Basic Instruments . . .*, 5th supp., pp. 29–30).

[14] At the 20th Session, Nicaragua also submitted its 11th annual report on the Nicaragua-El Salvador free-trade area, which is technically a separate arrangement from the Central American free-trade area. The report, however, merely referred the Contracting Parties to its report on the Central American free-trade area.

[15] See ch. 4 of this report.

African Common Market

During the 20th Session, the Contracting Parties took initial steps to examine the relationship of the projected African Common Market to the General Agreement on Tariffs and Trade. On April 2, 1962, representatives of Algeria, Ghana, Guinea, Mali, Morocco, and the United Arab Republic had signed a treaty at Cairo to establish an African Common Market.[16] The treaty provided for the elimination within 5 years of all duties and restrictions on trade between the signatories. The signatories declared their intention to establish a customs union, but the treaty made no specific provision for a common external tariff although it did establish a unified nomenclature. The treaty set up an administrative organization with headquarters at Casablanca and provided for the accession of additional States.

Ghana, the only signatory that at the time was a party to the General Agreement, submitted the treaty text to the Contracting Parties at the 20th Session and requested that it be declared consistent with article XXIV of the agreement. During the discussion, the representative of Nigeria, while expressing approval of the general purposes of the treaty, questioned whether article XXIV permitted contracting parties to discriminate against other contracting parties in favor of noncontracting parties. The GATT members appointed a working party to study the treaty; meanwhile, the signatory States delayed ratification of the treaty pending completion of the study.[17]

Ghana-Upper Volta Free-Trade Area

The GATT Contracting Parties, at their 20th Session, instructed the working party on the African Common Market to examine the Ghana-Upper Volta free-trade arrangement in the light of the relevant provisions of the General Agreement and to submit a report thereon. The agreement, which had been signed at Accra on June 28, 1961, provided for the abolition of customs barriers between the two countries.

At its first meeting on November 12, 1962, the working party invited contracting parties to address questions about the Ghana-Upper Volta agreement to the Secretariat. The replies to these questions by the Government of Ghana were circulated to the contracting parties in May 1963, but no further action was taken during the period reviewed here.

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[16] The countries involved constituted the so-called Casablanca group.

[17] The Casablanca group presumably was dissolved at the Addis Ababa Conference in May 1963. The effect of this event on the African Common Market was not clear.

Borneo Free-Trade Area

The Borneo free-trade area, consisting of Sarawak and North Borneo, entered into force on January 1, 1962. Although the member States agreed, in August 1962, to join the new Federation of Malaysia, the free-trade area was to continue in existence for the immediate future. The intention of Sarawak and North Borneo to form a free-trade area was originally reported to the Contracting Parties on their behalf by the United Kingdom at the 19th Session. The Contracting Parties at that time examined the text of the agreement in the context of article XXIV:7, and without taking formal action left the way open for future developments.

ITEMS ARISING FROM THE OPERATION OF THE AGREEMENT

Tariff Revisions

During the period reviewed here, New Zealand and the United States continued negotiations regarding their new tariffs with other GATT members. New Zealand's new tariff, which had been in preparation for several years, came into force on July 1, 1962. Certain rates of duty in the new tariff were not in accord with concessions that New Zealand had previously granted in trade-agreement negotiations under the General Agreement; New Zealand therefore undertook to renegotiate the respective concessions with interested GATT members under article XXVIII. At the 20th Session New Zealand reported that it had completed such renegotiations with 11 countries, but asked for additional time to complete them with 7 others. Accordingly, the Contracting Parties extended the deadline of their decision of June 4, 1960, to December 31, 1963;[18] in effect, the provisions of article II (the most-favored-nation provision) were suspended to the extent necessary to enable New Zealand to apply its new customs tariff even though it had not completed all the required renegotiations under the terms of article XXVIII.

Representatives of the United States sought to complete the consultations and negotiations that were necessary under the General Agreement before it could implement the revised Tariff Schedules of the United States. At the Council meeting in May 1962, the United States, under paragraph 4 of article XXVIII, had requested authority to enter into negotiations to modify its GATT tariff concessions to the extent necessary to bring them into conformity with revised U.S. tariff schedules. The revised schedules had been prepared over a period of years by the U.S. Tariff Commission on direction of the U.S. Congress; the Congress approved the implementation of the schedules by passage of the Tariff Classifica-

[18] Decision of Oct. 31, 1962 (*Basic Instruments . . .*, 11th supp., p. 69).

tion Act of 1962. After consideration, the GATT Council agreed to grant the U.S. request.[19]

At the Council meeting in January 1963, the United States announced that it had postponed the implementation of its new tariff schedules in order, among other reasons, to allow more time for governments to submit complaints and suggestions pertaining thereto to the United States. To the extent possible, the United States intended to correct errors and meet complaints through the administrative procedures provided under the act. The U.S. Government had therefore decided to postpone the effective date of the new tariff until July 1, 1963.[20]

Escape-Clause Actions (Art. XIX)

During the period covered by this report, Australia and the Federation of Rhodesia and Nyasaland took escape-clause action under article XIX of the General Agreement. Australia notified the Contracting Parties that it was imposing temporary quantitative restrictions on imports of certain species of timber (in July 1962) and certain antibiotics (in August 1962); it also notified them that it was imposing additional duties on compressors for refrigerators (in July 1962) and on forged steel flanges (in October 1962). Interested parties were invited to consult; principal suppliers of the imports were the United States and the United Kingdom. Similarly, the Federation of Rhodesia and Nyasaland notified the Contracting Parties that, effective November 5, 1962, it imposed provisional restrictions on imports of certain cotton and rayon piece goods. It proposed to remove the restrictions before December 31, 1964, and offered to consult with those contracting parties having a substantial interest as exporters of the products concerned.

Under the provisions of article XIX, a contracting party could suspend an obligation in whole or in part, or withdraw or modify a concession, if as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under the General Agreement, any product was being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or directly competitive products. Action under the escape clause was to remain in effect to the extent and for such time as might be necessary to prevent or remedy such injury. When a contracting party took action under article XIX, it was required to notify the Contracting Parties and to consult with any adversely affected contracting party with a view to granting other concessions as compensation for those withdrawn or

[19] At the Council meeting, the U.S. representative stated that if the negotiations could not be concluded by the end of the year, the United States might request a waiver at the 20th Session to allow the implementation of the new tariff schedules on Jan. 1, 1963. This request, however, was not made.

[20] The legislation did not ultimately become effective until Aug. 31, 1963.

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modified, or to permit the adversely affected party to withdraw concessions of interest to the party that took action under article XIX.

Complaints

At the 20th Session the Contracting Parties considered three complaints respecting actions by individual countries. Article XXIII of the General Agreement provides that if any contracting party considers that any benefit accruing to it under the agreement is being nullified or impaired by the action of another contracting party, it may bring the alleged impairment to the attention of the contracting party concerned. If consultations between the two parties do not result in an adjustment satisfactory to both, the matter may be referred to the Contracting Parties for examination and appropriate recommendation. Matters brought before the Contracting Parties in this manner are known as complaints.

Canadian valuation of potatoes imported from the United States

The United States entered a complaint against a special duty valuation imposed by Canada on potatoes. Canada's action, in effect, had established a minimum duty-paid price for its imports of potatoes. In 1958 Canada amended the Canadian Customs Act to provide that—

> where the market price in the country of export of any fresh fruit or vegetable of a class or kind produced in Canada has, as a result of the advance of the season or the marketing period, declined to levels that do not reflect in the opinion of the Minister their normal price, the value for duty of such fresh fruit or vegetable, when imported into such region or part of Canada and during such period as the Minister may specify, shall be the amount determined and declared by him to be the average value, weighted as to quantity, at which like fresh fruits or vegetables were imported during the three-year period immediately preceding the date of shipment to Canada.

On October 16, 1962, Canada imposed a "value for duty" of $2.67 (Canadian) per 100 pounds on imported potatoes.[21] Thereafter, an additional duty was charged, equal to the difference between the export value indicated in the customs documents and the "value for duty" determined under the Canadian Customs Act. The regular duty of 37½ cents per 100 pounds remained in effect. The United States made representations to Canada and at the same time referred the question to the Contracting Parties at their 20th Session. The GATT members referred the problem to a panel consisting of representatives of the Netherlands, Australia, Norway, and Switzerland.

The panel found that, although Canada's action did not violate article VII (relating to methods of valuation), it did impair a tariff concession

[21] Earlier (August 1961) Canada had imposed a "value for duty" on fresh potatoes imported into western Canada of $2.78 (Canadian) per 100 pounds. The United States had protested, but did not refer the matter to the Contracting Parties. This special "value for duty" was withdrawn on Apr. 30, 1962.

Canada had granted in GATT to the United States. The Contracting Parties recommended that Canada withdraw the additional charge on potatoes; it did so effective January 2, 1963.

French import restrictions

The United States entered a complaint that certain French import restrictions impaired or nullified some of the tariff concessions granted to the United States by the European Economic Community.

After its announcement of currency convertibility in 1960, France had gradually removed its nontariff import restrictions on many items. During the period under review, such restrictions were terminated for 34 industrial products in July 1962 and on 117 industrial and agricultural items in October 1962. Other restrictions remained, however, particularly in the agricultural sector; France acknowledged that these were contrary to the provisions of the General Agreement and were imposed without authorization from the Contracting Parties. The French Government declared that it intended to progressively eliminate these residual restrictions. It decided, however, not to seek a waiver under the "hard core" decision of March 5, 1955, but, whenever requested, to consult with other contracting parties under article XXII. In April 1961 the United States, along with Canada, Australia, New Zealand, and Israel, consulted with France.

Since France continued to impose some of its residual restrictions during 1962, the United States resorted to article XXIII. After bilateral conferences with France which the United States deemed unsatisfactory, the United States appealed to the Contracting Parties at the 20th Session in November 1962. The United States asserted that France's continuation of import restrictions on products on which the European Economic Community had recently given tariff concessions to the United States impaired or nullified such concessions. The United States also maintained that these restrictions were applied in contravention of article XI of the General Agreement, which generally forbade quantitative restrictions on trade.

At the 20th Session the Contracting Parties recommended that France withdraw the restrictions that were inconsistent with article XI, particularly those which had been specifically complained of by the U.S. Government. At the same time, they recommended that the United States refrain, for a reasonable period, from exercising its right to propose suspension of equivalent obligations or concessions.

Recourse to article XXIII by Uruguay

During the period under review, several meetings were held by the GATT panel that had been created to consider Uruguay's complaints under article XXIII. The panel's recommendations were adopted by the Contracting Parties at their 20th Session.

In October 1961 the representative of Uruguay had drawn the attention of the Council to trade problems encountered by countries, such as Uruguay, which relied for foreign exchange principally on exports of temperate-zone primary products. He claimed that Uruguay had only limited marketing opportunities available to it and that its terms of trade had deteriorated. He distributed a table showing the extent to which Uruguayan exports were confronted by restrictive measures in force in 19 economically advanced GATT countries. Finally, he alleged that, in terms of article XXIII, benefits accruing to Uruguay under the General Agreement were being nullified or impaired by the failure of other contracting parties to carry out their obligations under the agreement and by the application of a variety of trade controls, many of which violated the provisions of the agreement.[22]

At the 19th Session in November 1961 Uruguay notified the Contracting Parties that it had consulted with 15 GATT members [23] concerning their alleged contravention of the provisions of the General Agreement. In February 1962 Uruguay formally requested the Council to provide for consultations by the Contracting Parties. Accordingly, the Council appointed a panel to examine the cases referred to it. The panel conferred with each of the 15 countries and Uruguay to study in detail the respective complaints. Ultimately, when the panel reported to the Contracting Parties at the 20th Session, it concluded that in general Uruguay should not institute retaliatory action (e.g., suspend some of its GATT concessions) unless the actions of other GATT members concerned had actually nullified or impaired their concession to Uruguay; it reasoned that, in the absence of such nullification or impairment, actions could not be qualified as serious enough to justify retaliation. The panel specifically avoided judging whether nullification or impairment could occur if the measures complained of were either consistent with the General Agreement or permitted under the terms of the Protocol of Provisional Application, the Annecy Protocol, or the Torquay Protocol.

The panel also dealt with measures specifically complained of. Uruguay had objected to the variable levies and regulations on cereals introduced by several European countries. With respect to these, the panel took no position inasmuch as their legitimacy under GATT provisions was still under discussion by the Contracting Parties. All of the 15 countries, it found, maintained measures which, though not in contravention of specific provisions of the General Agreement or protocols of

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[22] Besides submitting its complaint under art. XXIII, Uruguay simultaneously pursued similar objectives through the GATT program for expansion of international trade, especially the work of committee II and the special groups on cereals and meat.

[23] Austria, Belgium, Canada, Czechoslovakia, Denmark, Finland, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, Norway, Sweden, Switzerland, and the United States.

accession, might be harmful to Uruguay's interest, especially if administered in a discriminatory manner or in such a way as to afford incidental protection to some of their own industries. Such measures included certain health regulations, mixing regulations, State trading, price controls, quotas, and the like. The panel noted that Uruguay could make specific representation, in appropriate cases, under article XXII to each of the countries, which would then be required to consult with Uruguay in an effort to review and adjust such measures in order to eliminate or minimize any harmful effects on Uruguay's economy.

In addition, the panel found that Austria, Belgium, France, the Federal Republic of Germany, Italy, Norway, and Sweden maintained certain restrictions which were contrary to specific provisions of the General Agreement and which nullified or impaired concessions granted by them to Uruguay under the General Agreement. The panel recommended that these seven countries should give immediate consideration to the removal of these restrictions. In adopting the panel's recommendations, the Contracting Parties authorized the Council to deal with any requests by Uruguay for permission to suspend some of its GATT obligations or concessions in retaliation.

The Contracting Parties requested the seven countries to report by March 1, 1963, on the action taken by them to comply with the panel's recommendations. During March and April, each of the countries reported either that the objectionable measure had been removed or that steps toward that end had been taken. In the April–May meeting Uruguay requested the Council to reconvene the panel for the purpose of surveying the degree to which compliance had been achieved. Uruguay also requested multilateral consultations on sanitary regulations which in many countries prevented importation of any uncooked meat from Uruguay. With respect to variable levies and other features of the common agricultural policy of the EEC still under discussion, Uruguay reserved its position with the understanding that such matters remained open for further consideration.

Waivers of Obligations

During the period covered by this report, the Contracting Parties considered only one new request for a waiver of obligations under article XXV:5—that by Turkey. A number of contracting parties, however, submitted reports on actions taken under waivers granted earlier.[24]

[24] The reports submitted by Australia and South Africa indicated that they had taken no action under the art. XXV:5 waivers granted to them. Australia's report, made at the Council meeting in April 1963, related to its special customs treatment of products from Papua and New Guinea; South Africa's report, made at the Council meeting in February 1963, related to its special customs treatment of products from Rhodesia and Nyasaland. These reports will not be discussed further.

Those drafting the General Agreement on Tariffs and Trade had envisioned the possibility that a contracting party might—because of special or exceptional circumstances—find that it could not comply with obligations imposed by the provisions of the agreement. Various articles, therefore, authorized the Contracting Parties to grant waivers of obligations under the agreement to the extent necessary to enable a contracting party to overcome particular problems. Article XXV:5 contained one of the main provisions for such waivers of obligations; the following discussion relates to waivers granted under this provision.

Turkish stamp duty

At the meeting of the GATT Council in April 1963, Turkey applied to the Contracting Parties for a waiver under article XXV:5 to permit it to apply a so-called stamp duty (in effect, an import surcharge). The stamp duty, an ad valorem charge of 5 percent on the value of all goods declared for customs, was one of a series of fiscal measures introduced by Turkey on March 1, 1963, in connection with its first 5-year economic plan. The duty was to be applied equally to all imported articles, whether or not Turkey had granted tariff concessions on them; it was to remain in effect only for the duration of the 5-year plan.

The Contracting Parties did not act on Turkey's request at the Council meeting. Turkey's quantitative import restrictions which it maintained for balance-of-payments reasons were to be the subject of a GATT consultation the following month;[25] many of the Contracting Parties were reluctant to act on Turkey's request until those consultations had been held.

Belgian quantitative restrictions on imports

At the 20th Session Belgium announced that it would allow its waiver relating to agricultural products to expire on December 31, 1962. The waiver, which had been granted by the Contracting Parties in 1955, had permitted Belgium to maintain import restrictions on certain agricultural products, even after it could under the GATT rules no longer justify the restrictions for balance-of-payments reasons.[26]

Belgium reported that, although most of the restrictions had been removed, a few (pertaining mainly to certain species of fish, and fresh vegetables in certain seasons) were still in effect. The Belgian representative indicated that, until the remaining restrictions could be removed, Belgium intended to continue them, as did several other countries, without

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[25] See the section on examination of quantitative import restrictions imposed for balance-of-payments reasons.

[26] Decision of Dec. 3, 1955 (*Basic Instruments . . .*, 4th supp., pp. 22–26). The waiver had been granted in accordance with the hard-core decision of Mar. 5, 1955 (*Basic Instruments . . .*, 3d supp., pp. 38–41).

a waiver but subject to consultation under article XXII and possible recourse to article XXIII by any adversely affected contracting party.

The representatives of several contracting parties, including those of New Zealand, Australia, Canada, and the United States, expressed disappointment that Belgium did not remove all the restrictions within the time limit of the waiver. A working party examined the possibilities for early removal of each of the remaining restrictions; Belgium gave assurances of its cooperation. The report of the working party was adopted by the Contracting Parties.[27]

Ceylonese tariff increases

During the period under review, the Contracting Parties extended the waiver they had granted in 1961 to Ceylon—for an additional period of time, as well as to cover new tariff increases. In 1961 the Contracting Parties waived Ceylon's most-favored-nation obligations under article II to the extent necessary to allow Ceylon to impose a 5-percent import surcharge on certain commodities. In its first annual report submitted in September 1961, Ceylon notified the Contracting Parties that the 5-percent surcharge had been removed from seven items. In its second annual report, made at the 20th Session in 1962, Ceylon stated that the supplementary duty continued to apply to all the other items affected by the waiver. It also indicated that the economic situation which had prompted the imposition of the surcharges had continued to deteriorate and had necessitated further restrictive measures.[28] In July 1962, Ceylon temporarily increased the customs duties on a number of tariff items by 20 percent ad valorem. In view of the deterioration in Ceylon's balance-of-payments position, the Contracting Parties authorized Ceylon to continue to maintain both the old and the new duty increases until the end of 1964.[29]

Chilean import surcharges

At the 20th Session, Chile requested a year's extension of a 1959 waiver of its obligations under article II. During the 14th Session in 1959, the Contracting Parties had waived Chile's obligations to the extent necessary to permit it to impose certain import surcharges.[30] The surcharges were to be in effect pending completion of a new tariff, and were to be accompanied by other steps designed to ameliorate Chile's economic and financial situation. Initially the waiver was to expire on January 1, 1961, but it was extended to January 1, 1963.

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[27] *Basic Instruments . . .*, 11th supp., pp. 220–222.

[28] See the section on examination of quantitative import restrictions imposed for balance-of-payments reasons.

[29] Decision of Nov. 15, 1962 (*Basic Instruments . . .*, 11th supp., pp. 60–68).

[30] Decision of May 27, 1959 (*Basic Instruments . . .*, 8th supp., pp. 29–31).

During the 20th Session Chile notified the Contracting Parties that, as of October 15, 1962, it had made important changes in its exchange system and simultaneously in its system of import surcharges. Because of the lack of time at the 20th Session, the Contracting Parties deferred consideration of Chile's request for an extension of the waiver. They directed the GATT Executive Secretary, in consultation with the Government of Chile and the International Monetary Fund, to determine a time, not later than June 30, 1963, for (1) an examination of the Chilean request for a further extension of the waiver and (2) the consultation with Chile on balance-of-payments restrictions maintained under article XII. The existing waiver was to remain in effect pending further action.[31]

Franco-German treaty on the Saar

At the 20th Session France and the Federal Republic of Germany presented their fifth annual reports on actions taken under a 1957 waiver relating to their trade relations with the Saar.[32] In 1959, pursuant to the 1956 Franco-German treaty, the Saar became part of the West German customs area; thereupon, duty-free trade between France and the Saar became subject to annual quotas. In their reports, the two GATT members indicated that actual trade under the French-Saar quotas in 1961 amounted to about 65 percent of the quotas. The Contracting Parties noted the reports.

Italian customs treatment of Libyan products

At the 20th Session the Governments of Italy and Libya both submitted their 10th annual reports regarding the special customs treatment accorded by Italy to Libyan products. In 1951 the Contracting Parties had waived the provisions of article I of the General Agreement to permit Italy to grant duty-free entry to certain Libyan products without also extending such treatment to products of other GATT members.[33] The waiver, originally scheduled to expire on September 30, 1952, had been extended four times, the last time until December 31, 1964.

In their reports the two Governments averred that, as in previous years, the special customs treatment of Libyan products could not, owing to its limited scope, have caused any appreciable damage to exports of other countries; they stated that the special treatment had assisted Libyan economic development. The Contracting Parties took note of the two reports.

Nicaraguan import surcharges

At the 20th Session the Contracting Parties authorized Nicaragua to continue imposing import surcharges on certain articles until November 30, 1963.

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[31] Decision of Nov. 13, 1962 (*Basic Instruments . . .*, 11th supp., pp. 68–69).
[32] Decision of Nov. 22, 1957 (*Basic Instruments . . .*, 6th supp., pp. 30–31).
[33] Decision of Oct. 26, 1951 (*Basic Instruments . . .*, vol. II, pp. 10–11).

In 1959 the Contracting Parties had granted Nicaragua a waiver to permit it to impose certain import surcharges until June 30, 1962.[34] These levies were intended to meet a threat to Nicaragua's monetary reserves. With three exceptions (those on jeeps and similar automotive vehicles, trucks, and motion picture films), the surcharges, as well as the basic duties on the articles involved, were subsequently changed by Nicaragua as part of a program to bring its tariffs into conformity with the common external tariff of the projected Central American free-trade area. Such action was authorized by a second waiver granted to Nicaragua by the Contracting Parties in 1961.[35]

At the 20th Session Nicaragua requested an extension of the waiver from the provisions of article II with respect to the three excepted articles. It based its request, not on balance-of-payments reasons, as it had in its initial request, but on its uncertain fiscal situation arising from extensive tax reforms being introduced. The Contracting Parties extended the waiver with respect to the three articles until November 30, 1963, with the understanding that the surcharges would be progressively reduced and would be applied only to the extent justified by fiscal considerations.[36]

Peruvian import surcharges

At the 20th Session Peru announced that it intended to remove, by stages, the import surcharges which the Contracting Parties had agreed earlier that it could impose. In May 1958, after consulting the International Monetary Fund, Peru had reported to the Contracting Parties that it needed to impose certain import surcharges for balance-of-payments reasons. The Peruvian representative indicated that his country did not desire to utilize quantitative restrictions (which would be permitted by article XII), but preferred to employ temporary surcharges which would also increase its customs revenue. Since the surcharges, moreover, were not to apply to imports from neighboring countries, they would create or increase margins of preference. After discussion, the Contracting Parties waived the provisions of articles I and II to the extent necessary to permit Peru to continue its emergency measures until June 8, 1961.[37] The terminal date of the waiver was later extended twice, the second time until April 30, 1963.

In making the fourth report on its actions under the waiver, the Peruvian representative at the 20th Session indicated that his country intended to remove the surcharges by stages before April 30, 1963, despite persistent economic difficulties which he attributed to inadequate prices for Peru's exports of sugar, cotton, coffee, copper, lead, and zinc.

[34] Decision of Nov. 20, 1959 (*Basic Instruments . . .*, 8th supp., pp. 52–56).
[35] Decision of Nov. 23, 1961 (*Basic Instruments . . .*, 10th supp., pp. 48–49).
[36] Decision of Nov. 9, 1962 (*Basic Instruments . . .*, 11th supp., pp. 70–71).
[37] Decision of Nov. 21, 1958 (*Basic Instruments . . .*, 7th supp., pp. 37–39).

Peru later notified the Contracting Parties that the surcharges had been removed.

Rhodesia-Nyasaland waiver for dependent territories of the United Kingdom

At the 20th Session the Federation of Rhodesia and Nyasaland submitted its second annual report under a waiver of its most-favored-nation obligations (art. I). The waiver, which had been granted by the Contracting Parties in 1960, permitted the Federation to increase certain margins of preference accorded products of dependent territories of the United Kingdom;[38] before taking action, the Federation was to consult with other contracting parties having a substantial trade interest in the items involved.

The Federation's report stated that preferential treatment permitted by the waiver had been extended to the specified territories for seven consumer articles and that Austria and Belgium, the only interested contracting parties, had consented.

United Kingdom's preferences

At the 20th Session, the United Kingdom reported on actions that it had taken under two waivers of most-favored-nation obligations (art. I). One waiver, initially granted at the Eighth Session in 1953, permitted the United Kingdom to increase import duties on commodities from non-Commonwealth countries when otherwise permitted by the General Agreement, without also increasing the duties on the same commodities from Commonwealth countries so as to maintain the previously existing margin of preference.[39] In its ninth annual report on the waiver filed in October 1962, the United Kingdom indicated that it had increased the most-favored-nation rates of duty on lettuce, endives, and fresh tomatoes. No GATT members sought consultations under the procedures of the waiver.

The second waiver, which was granted at the Ninth Session in 1954–55, permitted the United Kingdom to accord preferential treatment to its dependent overseas territories in order to assist in the economic development of those territories.[40] In its eighth annual report, submitted at the 20th Session, the United Kingdom stated that it had taken no action under the waiver in the period since its previous report.

U.S. restrictions on imports of agricultural products

At the 20th Session of the Contracting Parties, the United States submitted its eighth annual report on actions relating to restrictions

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[38] Decision of Dec. 19, 1960 (*Basic Instruments . . .*, 9th supp., pp. 47–49).

[39] See *Operation of the Trade Agreements Program*, 7th report, pp. 27–30; 8th report, pp. 30–32. See also Decision of Oct. 24, 1953 (*Basic Instruments . . .*, 2d supp., pp. 20–22).

[40] See *Operation of the Trade Agreements Program*, 8th report, pp. 76–78. See also Decision of Mar. 5, 1955 (*Basic Instruments . . .*, 3d supp., pp. 21–25).

on imports of agricultural products. To resolve the differences between its domestic legislation and the provisions of the General Agreement, the United States in 1954 had requested a waiver of its commitments under articles II and XI of the General Agreement, insofar as such commitments might be inconsistent with action it was required to take under section 22 of the Agricultural Adjustment Act.[41] The Contracting Parties granted the waiver at their Ninth Session; the United States was required to report annually on any actions it took thereunder.[42]

The annual reports submitted by the United States had included a review of all the regulations it had imposed pursuant to section 22 of the Agricultural Adjustment Act, whether or not they would, in the absence of the waiver, conflict with the provisions of the General Agreement. In its eighth report, the United States stated that it had enlarged the import quota on blue mold cheese effective March 30, 1962, and had terminated the import quotas on tung nuts and tung oil effective May 2, 1962. The U.S. representative also reported orally that a proposal for an import fee on the cotton content of textile imports had been rejected on the basis of an investigation and report by the U.S. Tariff Commission.

The eighth report indicated that import restrictions pursuant to section 22 remained in effect for four products or groups of products: Wheat and wheat products, cotton and cotton waste, peanuts, and certain manufactured dairy products. It also set forth the reasons why the restrictions continued to be applied and the steps taken to solve the problem of surpluses of agricultural commodities.

The working party appointed to study the U.S. report stressed the urgent need for further progress by the United States in dismantling the remaining section 22 import controls maintained under the waiver. It recognized that—

> progress towards the removal of import restrictions by the United States would be an encouragement to other countries to take similar action and would have desirable effects on international trade generally, and particularly on the export opportunities of countries highly dependent upon exports of agricultural products.

The Contracting Parties adopted the report of the working party.[43]

Uruguayan import surcharges

During the period under review, Uruguay submitted two reports to the Contracting Parties on actions taken under a waiver of its most-favored-nation obligations. In 1961 the Contracting Parties had waived Uruguay's obligations to the extent necessary to allow it to apply certain import surcharges imposed to redress deficits in its balance of payments.

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[41] *Operation of the Trade Agreements Program,* 8th report, pp. 43–47.

[42] Decision of Mar. 5, 1955 (*Basic Instruments . . .*, 3d supp., pp. 32–38).

[43] *Basic Instruments . . .*, 11th supp., pp. 235–242.

The surcharges were imposed in addition to the quantitative restrictions Uruguay maintained in accordance with article XII.[44]

As required by the waiver, Uruguay submitted its second annual report at the 20th Session. The report indicated that Uruguay's exports and balance of payments had improved, but that the trade deficit was still burdensome; Uruguay's export receipts had been affected by low world prices for its major export products and by import restrictions imposed thereon by important trading countries. The Contracting Parties took note of Uruguay's report.[45]

On June 20, 1963, 10 days before the waiver was due to expire, Uruguay reported at a Council meeting that it had not been able to reduce or eliminate the surcharges. On the contrary, it had found it necessary in April and May to change the legal par value of its currency, to increase certain surcharges, and even to prohibit temporarily the importation of certain goods that were subject to surcharges and prior deposit requirements. In these circumstances Uruguay indicated that it felt obliged to request a 3-year extension of the waiver.

West German import restrictions

At the 20th Session the Federal Republic of Germany submitted its fourth annual report on actions taken under a 1959 waiver that had permitted it to impose nontariff trade restrictions on certain articles.[46] The Contracting Parties at the 14th Session had waived for a period of 3 years West Germany's obligations under article XI not to impose quantitative import restrictions on a variety of agricultural and industrial products.[47] The Contracting Parties' decision also noted West Germany's intent to remove discriminatory restrictions with respect to other commodities; to eliminate in 5 years restrictions on certain semiprocessed and processed goods; and to insure that actions taken under the country's marketing laws would be consistent with the provisions of the General Agreement.

West Germany's fourth annual report coincided with the termination of the 3-year period of the waiver. The Contracting Parties appointed a working party to consult with representatives of the Federal Republic. It reported that during the life of the waiver the number of articles subject to quantitative restrictions had been considerably reduced and that commitments under the waiver had generally been carried out.

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[44] See the later section on examination of quantitative import restrictions imposed for balance-of-payments reasons.

[45] See discussion on recourse to art. XXIII by Uruguay, under the earlier section on complaints.

[46] For a discussion of the German waiver and earlier reports thereunder, see *Operation of the Trade Agreements Program*, 12th report, pp. 41–45; 13th report, pp. 21–23; 14th report, pp. 35–36.

[47] *Basic Instruments . . .*, 8th supp., pp. 31–50.

The working party noted, however, that a significant number of articles, both industrial and agricultural, would remain subject to quantitative restrictions at the expiration of the waiver. The dates for termination of the restrictions had not been set for many of the articles. The working party was particularly concerned that the system of import controls operated by the Federal Republic of Germany continued to contain a significant element of discrimination. The Contracting Parties adopted its report.[48]

In January 1963 the West German Government provided the Contracting Parties with a list showing the residual restrictions still in effect and the dates on which their removal was scheduled. Some restrictions for which no removal date had yet been established were also listed; these applied chiefly to agricultural and textile products. The West German Government stated that part of the listed restrictions were admissible under the provisions of the Torquay Protocol by which the Federal Republic of Germany became a contracting party to the General Agreement in 1951.

Releases From Obligations

Article XVIII of the General Agreement brings together various provisions directly related to the problems of the less developed countries. It enables such countries, under specified circumstances, to obtain releases from their obligations under the agreement permitting them to adopt measures to promote new industries or to protect their external financial positions. To facilitate their affording tariff protection to new industries, for example, article XVIII permits certain less developed countries to modify or withdraw tariff concessions granted under the agreement or to adopt protective measures not otherwise permitted by the agreement through procedures that are not generally available to other contracting parties. It also authorizes certain less developed countries to impose import restrictions for balance-of-payments reasons under less stringent conditions than those that apply to more developed countries (discussed below[49]).

During the period under review, the Contracting Parties did not grant any new releases for protecting new industries pursuant to article XVIII. A release granted earlier to Cuba and some of those granted earlier to Ceylon expired. By the close of the period, only certain releases granted to Ceylon remained in effect.

The Contracting Parties are required to review annually all actions taken by GATT members under specified provisions of article XVIII. At the 20th Session the Contracting Parties conducted the fourth annual

[48] *Basic Instruments . . .*, 11th supp., pp. 222–234.

[49] See the following section on examination of quantitative import restrictions imposed for balance-of-payments reasons.

review, which was limited to a review of the measures applied by the Government of Ceylon. The article XVIII releases granted Ceylon had permitted that country to license imports of plywood chests, asbestos cement products, and sarongs, sarees, and cotton piece goods; entries were limited so as to maintain a given ratio between domestic and imported articles entering the Ceylonese market. The releases pertaining to plywood chests and asbestos cement products expired during the period here concerned; the release pertaining to the other products was to expire in August 1963.

Examination of Quantitative Import Restrictions Imposed for Balance-of-Payments Reasons

During the period under review, the Contracting Parties consulted with various GATT members that continued to maintain import restrictions for balance-of-payments reasons. Several of the members reported that they had removed a considerable number of their restrictions.

Articles XI through XV and section B of article XVIII of the General Agreement deal with the use of quantitative import restrictions in trade between contracting parties. In essence, these six articles impose on contracting parties an obligation to forego the use of quantitative restrictions on imports, except in compelling circumstances. Contracting parties experiencing balance-of-payments difficulties are permitted under certain circumstances to resort to nontariff restrictions, such as quotas, licensing systems, or other quantitative control measures. With certain exceptions, however, such quantitative restrictions must be nondiscriminatory in character. Because of the interrelationship of quantitative restrictions and exchange control, article XV provides for consultations between the Contracting Parties and the International Monetary Fund regarding the use of such restrictions.

A contracting party resorting to quantitative restrictions for balance-of-payments reasons must in certain instances consult with the Contracting Parties regarding the nature, extent, and justification of the restrictions. Two major circumstances may give rise to such consultations. First, a contracting party is required to consult with the Contracting Parties whenever it applies new restrictions or intensifies existing restrictions. Second, all contracting parties that apply import restrictions under either article XII or article XVIII:B must consult regularly with the Contracting Parties.

At their 17th Session in 1960 the Contracting Parties adopted procedures designed to speed consideration of new or intensified import restrictions imposed by contracting parties for balance-of-payments reasons, as well as to provide a means of consultation on so-called residual

import restrictions.[50] After notification by a contracting party that it was imposing new or intensified restrictions, the Council was required to consult, or arrange to consult, with that contracting party within 10 days. The Council was also empowered to invite a contracting party to consult when it considered that new or intensified restrictions required consultation.

The so-called residual import restrictions were those which a contracting party had originally imposed under the balance-of-payments exceptions of the General Agreement (arts. XII and XVIII) and which it continued without GATT authorization when it no longer experienced balance-of-payments difficulties. The Contracting Parties agreed to deal with these restrictions under the regular consultation (art. XXII) and nullification and impairment (art. XXIII) procedures. Actions of the Contracting Parties regarding residual import restrictions under these provisions are dealt with later in the section on consultations.

At their 20th Session the Contracting Parties agreed that, after December 31, 1962, contracting parties would not have the right to apply for a waiver under the so-called hard-core decision. Such a waiver permitted a contracting party that was no longer entitled to impose import restrictions for balance-of-payments reasons to continue for 5 years the restrictions already in effect. The waivers thereby allowed countries dismantling their balance-of-payments restrictions to have a transitional period of adjustment, but they also imposed a specific timetable for the elimination of such restrictions. Because of the time limit imposed, many countries preferred to submit to the consultative and retaliatory procedures of articles XXII and XXIII, rather than make use of the hard-core decision. During the 7-year period that the hard-core decision was in effect, only Belgium and the Federal Republic of Germany obtained waivers under it.[51]

Under article XII

In preparation for the 20th Session, the GATT committee on balance-of-payments restrictions held consultations under the provisions of article XII with Denmark, Finland, Japan, New Zealand, South Africa, and Uruguay. These countries still maintained quantitative import restrictions for balance-of-payments reasons. Most of them had introduced a degree of currency convertibility, but they had continued import controls, relaxing some and tightening others, in order to protect their monetary reserves. Denmark and Japan reported that they had materially eased

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[50] Procedures for Dealing with New Import Restrictions Applied for Balance-of-Payments Reasons and Residual Import Restrictions (*Basic Instruments . . .*, 9th supp., pp. 18–20).

[51] For comment on such waivers, see the earlier section on waivers of obligations.

their restrictive measures during the period under review. Most of the others had not greatly altered their restrictions; they indicated that the widespread use, by their trading partners, of special types of controls applied to imports of agricultural products had restricted their export earnings. The Contracting Parties at the 20th Session adopted the committee's reports on the consultations. They also approved a report on the consultation that had been held with Brazil in May 1962.[52]

In March 1963 Japan ceased to claim balance-of-payments justification under article XII for the maintenance of import restrictions. It notified the Contracting Parties that it intended to conform thereafter to the established procedures regarding residual import restrictions.

Under article XVIII

Consultations with India and Ceylon—countries that were classified for this purpose as less developed countries—were held under the provisions of article XVIII. The consultations were summarized in reports by the committee on balance-of-payments restrictions; the Contracting Parties approved the reports at the 20th Session.[53]

According to the committee's reports, despite substantial assistance from the United States and increased export receipts, India had tightened its import controls in view of (1) the low level of its reserves, (2) its large debt-repayment obligations, and (3) a deterioration in earnings from invisibles.

Ceylon had been confronted with a situation requiring difficult economic adjustments. The committee on balance-of-payments restrictions studied the problems related to both Ceylon's tariff and nontariff import controls. After consulting the International Monetary Fund, the committee endorsed Ceylon's requests (1) to maintain until December 31, 1964, the increased duties which the Contracting Parties had agreed to earlier [54] and (2) to temporarily increase its duties on a number of tariff items by 20 percent ad valorem. The Contracting Parties granted Ceylon's request; Ceylon was instructed to report to the Contracting Parties before September 15, 1963.[55]

At the 20th Session the Contracting Parties made arrangements to consult with Burma, Indonesia, and Turkey by the close of 1963. The consultation with Turkey was completed on June 13, 1963. Turkey had introduced its first 5-year economic plan on March 1, 1963. Because

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[52] Chile's consultation under article XII, which had been initiated at the GATT Council meeting on May 30, 1962, was combined with consideration of the matter of extending Chile's waiver under article II. See the section on waivers of obligations.

[53] The Contracting Parties also approved at the 20th Session reports by the committee on balance-of-payments restrictions on art. XVIII consultations held in May 1962 with Ghana, Greece, and Pakistan.

[54] Decision of Apr. 10, 1961 (*Basic Instruments . . .*, 10th supp., pp. 35–42).

[55] See also the sections on waivers of obligations and releases from obligations.

implementation of the plan required large imports of investment goods and raw materials, Turkey felt obliged to proceed with caution in liberalizing its import controls.[56] Consultations with Indonesia, but not with Burma, were completed by mid-1963.

Israel

The consultation with Israel held in May 1962 was approved by the Contracting Parties at the 20th Session. As Israel was not yet a full GATT member, the consultation was not held under the provisions of any particular article of the agreement. It dealt with measures taken by Israel to relax trade restrictions and to reduce discrimination in preparation for adherence to the General Agreement in July 1962. Arrangements were made for further consultations with Israel late in 1963.

Consultations

During the period under review, the Contracting Parties consulted with several contracting parties under the provisions of article XXII. That article provides that each contracting party shall afford adequate opportunity for consultation regarding representations made by another contracting party respecting any matter affecting the operation of the General Agreement. If no satisfactory solution is found through such bilateral discussions, the Contracting Parties may, at the request of a contracting party, arrange multilateral consultations regarding such matter. All of the consultations during the period here reviewed related to residual import restrictions maintained by contracting parties contrary to the provisions of the General Agreement. Earlier consultations with France under article XXII led during the period under review to U.S. action against France pursuant to article XXIII.[57]

Consultations with Italy

At the 20th Session the representatives of the United States reported that, with respect to the Italian residual import restrictions, the United States and Italy had made satisfactory progress in bilateral consultations. Italy had ceased in February 1961 to rely upon balance-of-payments reasons for applying import restrictions; it did not apply for a waiver under the hard-core decision, but chose to consult under the provisions of article XXII. At the request of the United States, consultations were initially held at the 18th Session in 1961 with several interested contracting parties. Bilateral consultations between Italy and the United States followed.

Consultations with Austria

At the 20th Session Austria reported considerable progress in the implementation of its program to remove residual import restrictions.

[56] See also the section on waivers of obligations.

[57] See the earlier section on complaints.

Austria had ceased to apply quantitative restrictions for balance-of-payments reasons in November 1961; it had announced at that time a program for the removal of its remaining restrictions. Austria reported in June 1963 that it had removed additional restrictive measures; these actions, however, did not apply to imports from Japan, Cuba, and Czechoslovakia.

In April 1963 the Netherlands requested consultations with Austria under the provisions of article XXII, noting that Austria's liberalization measures did not extend to certain meat and other animal products of the Netherlands. The United States, because its exporters had an interest in access to the Austrian market for certain of the products listed by the Netherlands, requested to join in the consultations, which, however, were not held during the period under review.

Japan's consultations with the Federal Republic of Germany

At the 20th Session Japan indicated that its consultations with West Germany under article XXII had been progressing satisfactorily. The consultations had begun in August 1962 regarding certain restrictions under Germany's marketing laws that were maintained against imports from Japan after the restrictions were due to have been removed by the terms of Germany's hard-core waiver. Japan expressed satisfaction at the 20th Session regarding the quotas established by West Germany for imports of cotton textiles from Japan, and indicated that bilateral consultations would be resumed with a view to the early removal of the remaining restrictions.[58]

OTHER DEVELOPMENTS RELATING TO THE GENERAL AGREEMENT

Nonapplication of the Agreement Between Certain Contracting Parties

At the 20th Session, as at other recent sessions, the Contracting Parties examined the extent to which article XXXV of the General Agreement was being invoked by GATT members against Japan. Article XXXV provides that the agreement shall not apply between any two contracting parties if either of them, at the time either becomes a contracting party, does not consent to such application. In such event, either contracting party may withhold from the other the tariff concessions it had granted in GATT negotiations.

In their review of the invocation of article XXXV against Japan, the Contracting Parties noted that the United Kingdom and Japan had concluded a Treaty of Commerce, Establishment and Navigation, and that the United Kingdom had declared its intention to disinvoke article XXXV

[58] See the earlier section on waivers of obligations.

on the coming into force of the treaty. On April 9, 1963, the United Kingdom announced that it had consented to the application of the General Agreement between itself and Japan. The United Kingdom also promised to consult with the governments of its dependent territories to encourage similar action by them.

At the 20th Session Japan announced that it was negotiating with Austria, Benelux, France, and the Federation of Rhodesia and Nyasaland for the elimination of discrimination against its exports and the mutual application of GATT concessions. Austria reported that it had removed some discriminatory restrictions on imports from Japan, but that it could not yet disinvoke article XXXV. Nigeria and Tanganyika indicated that they were considering disinvocation of article XXXV. As noted below, however, Portugal upon its accession in May 1962 invoked article XXXV against Japan.

At the time of Portugal's accession to the General Agreement on May 6, 1962, Ghana, India, and Nigeria invoked article XXXV against Portugal, and Portugal did likewise against Ghana, India, Japan, and Nigeria.

Commodity Problems

During the period under review, the Contracting Parties dealt with a number of commodity problems, including intergovernmental arrangements for trade in primary products, the disposal of surplus products, and trade in cotton textiles.

International commodity agreements

At the 20th Session the Chairman of the Interim Coordinating Committee for International Commodity Arrangements (ICCICA) reported on developments in the field of intergovernmental commodity arrangements. That Committee, an outgrowth of the combined boards that controlled international trade in primary products during World War II, had been established in 1947 pursuant to a resolution of the United Nations Economic and Social Council. The Chairman of the Committee was nominated annually by the Contracting Parties to the General Agreement; he made an annual report to them.

The report of the Committee's Chairman at the 20th Session referred to the successful negotiation in 1962 of the International Coffee Agreement at a conference convened by the Secretary-General of the United Nations on recommendation of the Committee. The report also indicated that the Committee had proposed that a similar conference be held on cocoa.

Many of the contracting parties expressed concern that greater progress was not being made in dealing with international commodity problems. The delegates of the less developed countries were especially concerned with the low prices being received for their primary products compared

with the prices they had to pay for imported manufactured goods. They regarded intergovernmental commodity arrangements as a useful mechanism for regulating the production and marketing of certain key products for the benefit of exporting and importing countries.

At the 20th Session, S. A. Hasnie, of Pakistan, was nominated for a second term as Chairman of the ICCICA; he was subsequently reappointed by the Secretary-General of the United Nations.

Disposal of surplus stocks

During the period considered here, the contracting parties that had accumulated stocks of commodities under governmental programs reported thereon to the GATT Executive Secretary, as they had since 1961. A full discussion of the problems relating to commodity surplus took place at the 20th Session.

Over a period of years, governments of some of the GATT members accumulated large stocks of a number of agricultural and strategic commodities. In accordance with resolutions adopted in 1955, contracting parties planning to dispose of surplus stocks of either agricultural or strategic products were to consult with other interested GATT members before doing so.[59] Before the 20th Session, the Governments of Australia, Canada, the United Kingdom, and the United States submitted statistics on the surplus commodities they held in government-owned stocks; they also reported on the quantities disposed of, the timing and methods of disposal, and the efforts made to consult with other interested governments to avoid market disruptions. The representative of the United States stressed that his Government intended to dispose of its surpluses in a manner which would not disrupt world markets.

Long-term arrangement for cotton textiles

The Long-Term Arrangement Regarding International Trade in Cotton Textiles, drafted by a Cotton Textiles Committee[60] appointed by the Contracting Parties, became effective on October 1, 1962. It replaced a short-term arrangement which had also been negotiated under the aegis of the General Agreement. The long-term arrangement was accepted by 21 contracting parties (Australia, Austria, Belgium, Canada, Denmark, France, the Federal Republic of Germany, India, Israel, Italy, Japan, Luxembourg, Netherlands, Norway, Pakistan, Portugal, Spain, Sweden, United Arab Republic,[61] United Kingdom,[62] and the United States), and by 2 other countries (Colombia and Mexico).

[59] Resolutions of Mar. 4, 1955 (*Basic Instruments . . .*, 3d supp., pp. 50–51).

[60] Eighteen contracting parties to the General Agreement, including the United States, were represented on the Committee; almost all of these were countries that exported or imported cotton textiles in considerable quantities. In addition, 10 countries, some contracting parties and others not, had observers present.

[61] Provisional member of GATT.

[62] For itself and for Hong Kong.

The long-term cotton textiles arrangement was to have a life of 5 years. At the end of the third year (i.e., before Oct. 1, 1965), a committee, consisting of representatives of all participating governments, was to make a special study of the arrangement, in order to enable the participants to consider, at least 1 year before its expiration, whether it should be extended, modified, or discontinued.

In principle, the long-term arrangement aimed to gradually increase international trade in cotton textiles, but to restrict trade in such textiles wherever market disruptions occurred. On the one hand, those participating countries that maintained restrictions on imports of cotton textiles which were inconsistent with the provisions of the General Agreement undertook to relax such restrictions progressively each year. On the other hand, if imports of specific cotton textiles from one into another participating country caused or threatened disruption in the market of the importing country, the latter could request the exporting country to limit its exports of such products, although the limitation was not to restrict the trade to less than the actual exports during the 12-month period ending 3 months before the request was made. If the exporting country did not accede to the request within 60 days, the importing country could then impose a similar quota on its imports of the specified products. Each year after the first year in which the restriction was in effect, each quota was to be increased, usually by 5 percent.

Several countries accompanied their acceptance of the arrangements with reservations. The United Kingdom and Canada stated that, because their production of cotton textiles had declined and imports had greatly increased, they would be unable to promise an annual increase in permitted imports. The United Kingdom limited its acceptance to itself and Hong Kong; Portugal's acceptance was in respect of its European territory only. The members of the European Economic Community reserved the right to negotiate any modifications made necessary by the progressive establishment of their common commercial policy.

At the GATT Council meeting in February 1963, the representative of Japan referred to the U.S. request under article 3 of the arrangement, on January 1, 1963, that Japan restrict exports of 36 categories of cotton goods accounting for more than 90 percent of its exports of cotton textiles to the United States. In his view, article 3 had been invoked too broadly and without sufficient justification. He also mentioned that bilateral consultations between the United States and Japan were taking place in Washington.[63]

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[63] A United States-Japanese bilateral textile agreement was concluded Aug. 27, 1963, operative retroactively Jan. 1, 1963. See *Department of State Bulletin*, vol. 49, Sept. 16, 1963, pp. 440–449.

Consular Formalities

During the year here concerned, a panel of experts that had been appointed to survey the consular formalities maintained by GATT members reported to the Contracting Parties.

Acting on a request of the International Chamber of Commerce, the Contracting Parties in 1952 had recommended that import documentation required by governments should be limited to transport documents and commercial invoices (accompanied where necessary by packing lists), that consular invoices and consular visas, with certain minor exceptions, should not be required, and that consular fees should be removed.[64]

In 1961 the Contracting Parties appointed a panel of experts to review the response of the GATT members to these recommendations. The panel's report, presented to the Council in May and to the 20th Session in October 1962, indicated that many GATT members had abolished their requirements of consular documentation, and that only eight contracting parties still required consular documents to accompany the entry of goods. The Contracting Parties recommended that these countries discontinue consular formalities; they offered the help of expert consultants to attain that end.

Canadian Temporary Import Surcharges

During the period covered here, the Contracting Parties examined Canada's temporary import surcharges which it had imposed to help safeguard its foreign-exchange reserves.

In the first half of 1962, Canada's foreign-exchange reserves, which had amounted to about $2,000 million at the beginning of 1962, declined by half. To safeguard its reserves and its balance of payments, Canada in May adopted a rate of exchange of 92.5 cents (U.S.) per Canadian dollar, and made use of its drawing privileges with the International Monetary Fund, the Federal Reserve Bank, and the Bank of England. In June, Canada also imposed temporary import surcharges of 5, 10, or 15 percent ad valorem on certain categories of products.

The Government of Canada promptly notified the Contracting Parties of its action. The Council was convened at Geneva on July 11 and 12, 1962, to consider the matter. The Council recommended that the Contracting Parties examine in detail the problems raised by Canada's action. Accordingly, at the 20th Session, the Contracting Parties undertook a factual examination of the temporary import surcharges imposed by the

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[64] Art. VIII of the General Agreement provides that all fees and charges, other than import and export duties and nondiscriminatory sales taxes, imposed by contracting parties on goods entering or leaving the country should be limited in amount to the approximate cost of services rendered and should not represent either indirect protection to domestic products or taxation of imports or exports for fiscal purposes.

Government of Canada. The representative of Canada emphasized that his Government intended to adopt long-range measures to prevent recurrence of the difficulties encountered in 1962 and that it regarded the surcharges as temporary. The International Monetary Fund, which had approved the surcharges as temporary, indicated that it expected Canada's external financial position to improve shortly. Some countries objected to the uneven burden of the surcharges; others were concerned that the matter was handled without a waiver. (Other contracting parties had requested waivers in similar circumstances.)

In a decision made at the 20th Session,[65] the Contracting Parties expressed their regret that the Government of Canada should have found it necessary to introduce temporary measures inconsistent with article II of the General Agreement, recommended that the surcharges be eliminated expeditiously, and requested the Government of Canada to report on action taken to this end. Canada removed or reduced a number of the surcharges on November 15, 1962, and again on February 20, 1963; it removed the remaining surcharges on April 1, 1963, after recovery of its foreign exchange reserves to a satisfactory level.

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[65] Decision of Nov. 15, 1962 (*Basic Instruments . . .*, 11th supp., pp. 57–58).

Chapter 3

Actions of the United States Relating to Its Trade Agreements Program

U.S. TRADE-AGREEMENT OBLIGATIONS

On July 1, 1962, the United States had trade-agreement obligations in force with 47 countries. The obligations with 40 of them resulted from joint membership in the General Agreement on Tariffs and Trade (GATT). Those with 6 countries (including Argentina) resulted from bilateral trade agreements between the United States and the respective powers and those with 1 country (Switzerland), from both GATT membership and a bilateral trade agreement. During the ensuing 12 months, 11 countries (Argentina among them) acceded to the General Agreement. Many of the 11 were newly independent countries for which a contracting party had previously assumed GATT obligations; the United States and Argentina also continued their bilateral trade agreement. The United States also concluded a temporary bilateral trade agreement with Spain, pending that country's accession to the General Agreement.

Status of U.S. Trade Agreements

On June 30, 1963—i.e., at the end of the period covered by this report—the United States had trade-agreement obligations with 58 countries; those countries are identified below (an asterisk denotes those which acceded to the General Agreement during the period July 1962 through June 1963).

GATT—Full Contracting Parties [1]

Australia
Austria
Brazil
Burma
*Cameroon
Canada
*Central African Republic
Ceylon
Chile
*Congo (Brazzaville)
Cuba [2]
Denmark
Dominican Republic
EEC:
  Belgium
  France
  Germany (Federal Republic)
EEC—Continued
  Italy
  Luxembourg
  Netherlands
Finland
*Gabon
Ghana
Greece
Haiti
India
Indonesia
*Israel
Japan
*Kuwait
Malaya
New Zealand
Nicaragua
Nigeria
Norway
Pakistan
Portugal
Peru
Rhodesia-Nyasaland
Sierra Leone
Sweden
Tanganyika
*Trinidad and Tobago
Turkey
*Uganda
Union of South Africa
United Kingdom
*Upper Volta
Uruguay

GATT—Provisional Members [3]

*Argentina
Switzerland
Tunisia
*United Arab Republic

Bilateral Trade Agreements

Argentina
El Salvador [4]
Honduras [4]
Iceland
Paraguay [4]
Spain [5]
Switzerland
Venezuela

[1] On June 30, 1963, there were 50 full members of the General Agreement on Tariffs and Trade (including the United States). With the permission of the Contracting Parties, however, the United States had suspended its obligations to Czechoslovakia in September 1951.

[2] The U.S. trade-agreement obligations to Cuba were in practice nullified by the imposition of an embargo on trade between the two countries in February 1962; in May 1962 the United States suspended application of trade-agreement rates of duty to imports from Cuba.

[3] Yugoslavia became a provisional member of the General Agreement in April 1963, but the United States had not accepted the declaration of provisional accession for it.

[4] The schedules of concessions and related general provisions of the agreement with this country have been terminated.

[5] The temporary bilateral trade agreement between Spain and the United States was to terminate when Spain acceded to the General Agreement.

Nine of the eleven countries acceding to the General Agreement during the period here covered became full members. Eight of them—Cameroon, Central African Republic, Congo (Brazzaville), Gabon, Kuwait, Trinidad and Tobago, Uganda, and Upper Volta—acceded under article XXVI:5(c),

which allows a contracting party to sponsor the accession of a former territory on behalf of which it had previously accepted the obligations of the General Agreement. The accession of these eight countries did not materially alter U.S. trade-agreement obligations.

Israel, the other country that became a full member, acceded under the provisions of article XXXIII. The Protocol for the Accession of Israel entered into force between the United States and Israel on July 5, 1962. Israel had been a provisional member of the General Agreement since October 1959, pending the completion of tariff negotiations with the contracting parties. These negotiations were concluded at the 1960–62 tariff Conference, and resulted in an interim agreement between the United States and Israel. The U.S. agreement rates became effective on July 1, 1962; the concessions became part of the Israel and United States GATT schedules on July 5, 1962.

Two of the countries acceding to the General Agreement during the period under review—Argentina and the United Arab Republic—became provisional members. The Declaration on the Provisional Accession of Argentina entered into force for the United States on October 14, 1962. The declaration provided that, pending Argentina's full accession, it would receive the benefit of trade-agreement concessions that had been made by GATT members, but would not have any direct rights with respect to those concessions under any article of the agreement. At the 20th Session of the Contracting Parties in the fall of 1962, Argentina requested an extension of the declaration, which was due to terminate on December 31, 1962; the declaration was extended until December 31, 1964. The Argentina-United States bilateral agreement continued in force during the period here concerned.

The provisional accession of the United Arab Republic to the General Agreement was approved at the 20th Session. The United Arab Republic agreed to apply the provisions of the General Agreement to the contracting parties which formally accepted the arrangement, but declined to undertake obligations with respect to tariff concessions. Correspondingly, such contracting parties would apply to the United Arab Republic all the provisions of the General Agreement except those which accorded direct rights to their schedules of tariff concessions. On January 14, 1963, the U.S. Special Representative for Trade Negotiations issued a public notice requesting views of interested parties regarding these arrangements. The provisional accession of the United Arab Republic entered into force for the United States on May 3, 1963; it involved no modification of U.S. tariff rates.

In August 1962 the United Kingdom provisionally accepted the General Agreement for Jamaica; in December 1962 it did so for the Turks and Caicos Islands and Cayman Islands. These actions were taken under article XXVI:5(b) of the General Agreement, which permits

a country to accept the General Agreement for a territory it had previously exempted from acceptance. Jamaica became independent on August 6, 1962, but did not accede to the General Agreement as an independent nation during the period covered by this report. The United Kingdom retained responsibility for Jamaica's commercial commitments.

U.S. Tariff Policy Respecting Communist Countries

During the period covered by this report, the United States continued to apply trade-agreement rates of duty to imports from nearly all countries, regardless of whether it had most-favored-nation obligations in effect with them. This policy of "generalizing" its trade-agreement rates of duty was initially established by the Trade Agreements Act of 1934; it was continued by section 251 of the Trade Expansion Act of 1962.[1]

As exceptions to its "generalization" policy, the United States continued during the period reviewed here to suspend trade-agreement rates of duty to imports from most Communist countries and areas. Initially, the United States had taken this action pursuant to section 5 of the Trade Agreements Extension Act of 1951. As noted in chapter 1, however, the language of section 231 of the Trade Expansion Act of 1962 differed somewhat from the earlier directive. The language of section 231, in effect, directed the President, as soon as practicable, to deny trade-agreement rates of duty to imports from Cuba, Poland, and Yugoslavia. During the period under review, trade-agreement rates of duty were not applied to imports from Cuba,[2] but were applied to imports from Poland and Yugoslavia.

During the first session of the 88th Congress, bills were introduced in the House and the Senate (H.R. 5490 and S. 1276) to restore to the President discretionary authority to apply trade-agreement rates of duty to imports from Poland and Yugoslavia, provided he deemed that such treatment was in the national interest and promoted the independence of these countries from domination or control by international communism. Neither the House Committee on Foreign Affairs nor the Senate Committee on Foreign Relations acted on the bills during the period under review.

TRADE-AGREEMENT NEGOTIATIONS DURING 1962–63

During the period covered by this report, the United States participated in trade-agreement negotiations (1) completing negotiations with Spain that had been begun at the 1960–62 GATT tariff Conference, (2) granting compensatory concessions to Japan and the United Kingdom, and (3) rectifying certain U.S. concessions negotiated with the European Economic Community, Japan, and Switzerland at the 1960–62 Conference.

[1] See the section on general provisions in ch. 1.

[2] See *Operation of the Trade Agreements Program*, 14th report, pp. 66–67.

All of the agreements involved in these actions were entered into under the authority granted by section 350 of the Tariff Act of 1930, as amended.[3] These U.S. actions, together with consultations regarding entry into force of the Tariff Schedules of the United States, are discussed below.

During the period under review the United States also participated in early preparations for the sixth round of multilateral tariff negotiations sponsored by the Contracting Parties to the General Agreement on Tariffs and Trade. At their 20th Session late in 1962, the Contracting Parties to the General Agreement decided to convene a Ministerial Meeting in 1963 to consider holding a new conference for the comprehensive reduction of tariff barriers. The decision accorded with the U.S. desire to take early advantage of the broad negotiating authority provided by the Trade Expansion Act of 1962.[4] At the GATT Ministerial Meeting, held May 16–21, 1963, the Ministers agreed to a number of general principles that would govern the negotiations. The Ministers also established a Trade Negotiations Committee to prepare a plan for, and to supervise the conduct of, the trade negotiations.

Trade Agreement With Spain

On December 31, 1962, the United States concluded trade-agreement negotiations with Spain under the General Agreement on Tariffs and Trade—the first such negotiation to be concluded between the United States and Spain since the trade agreements program was initiated in 1934.[5] The agreement marked the completion of the first of a series of negotiations undertaken by Spain in preparation for accession to the General Agreement.[6]

In the negotiations with Spain, the United States agreed to reduce its duties on seven import classifications—covering principally olive oil in

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[3] Sec. 257(c) of the Trade Expansion Act of 1962 extended until Dec. 31, 1962, the period during which the President was authorized to enter into trade agreements under sec. 350 for agreements based on the public notices published in the *Federal Register* on May 28 and Nov. 23, 1960 (i.e., notices issued for the 1960–62 GATT tariff Conference).

[4] For a discussion of the President's negotiating authority under the Trade Expansion Act of 1962, see ch. 1 of this report.

[5] The agreement between Spain and the United States was actually a bilateral trade agreement. It provided that the schedules of concessions would be applied as if they were schedules annexed to a protocol for the accession of Spain to the General Agreement. The agreement was to terminate on the day that Spain acceded to the General Agreement, at which time such tariff concessions initially negotiated between the United States and Spain as would be provided for in schedules annexed to the protocol for the accession of Spain would be applied. (Proclamation 3517, 28 F.R. 1195.)

[6] Spain's request for accession was first considered by the Contracting Parties at their 16th Session in May–June 1960; Spain, pending full accession, had participated nevertheless in the work of the General Agreement. (Decision of June 4, 1960, *Basic Instruments . . .*, 9th supp., p. 15.)

bulk and sherry wine.[7] U.S. imports from Spain of the products covered by the agreement amounted to $11.8 million in 1961; of this amount, olive oil in bulk and sherry wine accounted for $11.2 million. The first stage of the U.S. concession went into effect on February 1, 1963. Spain granted tariff reductions or bindings to the United States on approximately 50 items in the Spanish tariff; articles covered by these items accounted for imports from the United States valued at $29.3 million in 1961.

Negotiations for Compensatory Concessions

During the period under review, the United States signed agreements granting tariff concessions to Japan and the United Kingdom in compensation for certain escape-clause actions taken by it; Japan in another agreement granted compensatory concessions to the United States under article XXVIII of the General Agreement.

In an action effective June 18, 1962, the President, under section 7 of the Trade Agreements Extension Act of 1951, as amended, had increased U.S. import duties on certain cylinder, crown, and sheet glass, and on Wilton, Brussels, and velvet (or tapestry) carpets.[8] These duty increases represented modifications of U.S. trade-agreement concessions made in the General Agreement on Tariffs and Trade. To compensate the GATT members affected by its action, the United States undertook to negotiate compensatory concessions.

On December 31, 1962, a compensatory agreement was signed with Japan. The United States reduced its import duties on silk handkerchiefs and mufflers, silk scarves, and certain toys; the first stage of the concessions took effect on February 1, 1963.[9] U.S. imports from all countries of the products covered by these concessions amounted to $8.7 million in 1961, of which $7.0 million was accounted for by imports from Japan.

The compensatory agreement with the United Kingdom was signed on December 10, 1962; the first stage of the U.S. concessions took effect on January 1, 1963.[10] The agreement provided for reductions of 20 percent in U.S. duties on 17 articles. The products of largest trade coverage included were certain electric motors, certain packaging and wrapping machines, mustard, certain flax threads and flax yarns, tennis balls, oil-tanned chamois leather, and fancy goat and kid leather. U.S. imports from all countries of the products covered by the compensatory concessions amounted to $12.2 million in 1961, of which $9.3 million was accounted for by imports from the United Kingdom.

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[7] For a schedule of U.S. concessions, see the *Department of State Bulletin*, vol. 48, Jan. 28, 1963, p. 146.

[8] Proclamations 3454 (27 F.R. 2789) and 3455 (27 F.R. 2791), as modified by Proclamation 3458 (27 F.R. 3101).

[9] Proclamation 3517 (28 F.R. 1195).

[10] Proclamation 3512 (28 F.R. 103).

The agreements with Japan and the United Kingdom were concluded under the authority of section 257(c) of the Trade Expansion Act of 1962, which extended until December 31, 1962, the period during which the President might enter into trade agreements under the earlier trade agreements legislation based on public notices issued in connection with the 1960–62 GATT tariff Conference. In making each of the concessions granted to the United Kingdom, the President agreed to reduce the import duty below the "peril point" for that article, i.e., the rate below which the Tariff Commission had found the duty could not be reduced without, in its judgment, causing or threatening serious injury to the domestic industry concerned. Accordingly, as required by section 4(a) of the Trade Agreements Extension Act of 1951, the President, on January 9, 1963, transmitted copies of the trade agreement to the Congress, together with a statement of reasons for his action. The President indicated that the United States had just completed extensive negotiations with the United Kingdom at the 1960–62 tariff Conference in which he had nearly exhausted his authority under the public notice to reduce tariffs on products of interest to the United Kingdom, except for a number of products on which the Commission had established peril points. The President contended, however, that all of the items subject to concessions in the United Kingdom agreement met at least one of the following conditions: They were not produced in significant quantity in the United States; the ratio of imports to domestic production was small; imports in recent years had declined, had been stable, or had increased only very slightly; they consisted of raw or semifinished materials required by U.S. industries; or a reduction in the rate of duty was expected to have relatively little effect on imports.

In a third compensatory agreement, signed on December 31, 1962, Japan granted tariff concessions to the United States under article XXVIII of the General Agreement to compensate for the modification of a number of concessions which Japan had previously granted under the General Agreement. The value of imports from the United States which were affected by increases in the Japanese tariff was about $3.7 million in 1961; by far the largest item so affected was molybdenum ore and concentrates, imports of which from the United States into Japan were valued at $2.6 million in 1961. In compensation, Japan granted concessions on 13 items; imports of these items from the United States were valued at $2.8 million in 1961.[11]

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[11] For a schedule of these compensatory concessions to the United States, together with a schedule showing the duty rates modified by Japan, see *Department of State Bulletin*, vol. 48, Jan. 21, 1963, pp. 108–109.

Rectification of Concessions

In December 1962 the United States signed three agreements rectifying certain errors that it had made in preparing its schedules of concessions at the close of the 1960–62 GATT tariff Conference. The agreements with the European Economic Community and Switzerland extended the coverage of the U.S. schedule of concessions to include salts of certain acids. In the agreement with Japan, the United States corrected the omission of a concession on discharge lamps.[12]

In negotiating the concession on discharge lamps, the President reduced the duty thereon below that specified in a peril-point finding of the Tariff Commission. On January 9, 1963, therefore, the President transmitted a statement to the Congress presenting his reasons for so doing. The President pointed out that U.S. imports of discharge lamps were less than one-half of 1 percent of domestic production and that imports were declining while consumption was increasing. Moreover, according to the President, the alternative of granting another concession of equivalent value would have complicated already difficult negotiations then in progress with Japan concerning compensation for U.S. escape-clause action on carpets and glass.

Consultations Regarding New U.S. Tariff Schedules

During the period under review, the United States consulted with a number of countries regarding the prospective imposition of its new tariff—the Tariff Schedules of the United States (TSUS). Section 102 of the Tariff Classification Act of 1962 required that the President take such action as he deemed necessary to bring the U.S. schedules of concessions annexed to foreign-trade agreements into conformity with the proposed tariff schedules before he placed the TSUS into effect. However, the United States sought a waiver that would permit it to place the TSUS into effect before negotiations were completed to modify the U.S. trade-agreement concessions. The GATT members had not completed their vote on the waiver request nor were the necessary negotiations completed by mid-1963; [13] therefore, the President had not placed the TSUS in effect by the close of the period under review.

ACTIONS RELATING TO EXISTING TRADE AGREEMENTS

During the period under review, the United States placed into effect the first stage of its concessions granted at the 1960–62 GATT tariff Conference. The United States also modified its bilateral trade agree-

[12] Treaties and Other International Acts Series (TIAS) 5253.

[13] See the section on tariff revisions in ch. 2 of this report.

ments with Paraguay and Switzerland, and retaliated against Brazilian tariff changes by withdrawing a number of concessions initially granted to Brazil.

Entry Into Force of Concessions Negotiated at the 1960–62 GATT Tariff Conference

On July 1, 1962, the first stage of most of the concessions granted by the United States at the 1960–62 GATT tariff Conference became effective. The second (and, generally, final) stage was scheduled to become effective 1 year later.[14]

In April and June 1962 the President initially proclaimed (but did not effectuate) the U.S. concessions granted at the 1960–62 Conference.[15] In terms of GATT documentation, the U.S. concessions, along with those of other countries, were contained in three protocols: (1) The Protocol Embodying the Results of the 1960–61 Tariff Conference; (2) the Protocol for the Accession of Israel; and (3) the Protocol for the Accession of Portugal.[16] These protocols were formally accepted by the United States at various times during 1962.

Withdrawal of Concessions to Brazil

In a proclamation effective March 1, 1963, the United States withdrew a number of tariff concessions that it had initially negotiated with Brazil.[17] This action was in retaliation for Brazil's modification of concessions it had granted to the United States.

Under a waiver granted by the Contracting Parties, Brazil on August 14, 1957, had introduced a new tariff schedule which not only involved changes in nomenclature but also substituted a new schedule of ad valorem rates of duty for the former specific rates. The rates of duty in the new tariff had the effect of substantially modifying the concessions that Brazil had granted in the General Agreement, including those it had granted to the United States. Renegotiations between Brazil and the United States were concluded on February 10, 1959. The agreement provided, in part, for the complete withdrawal from the U.S. schedule of 12 concessions initially negotiated with Brazil.[18]

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[14] For an account of the Conference, see *Operation of the Trade Agreements Program*, 14th report, ch. 1.

[15] Proclamation 3468, Apr. 30, 1962 (27 F.R. 4235) and Proclamation 3479, June 20, 1962 (27 F.R. 5929).

[16] *Basic Instruments . . .*, 11th supp., pp. 8–12 and 16–25.

[17] Proclamation 3517 of Jan. 31, 1963 (28 F.R. 1195).

[18] For an account of these concessions, see *Operation of the Trade Agreements Program*, 12th report, pp. 79–84.

Partial Termination of Bilateral Agreement With Paraguay

On June 26, 1963, the Governments of Paraguay and the United States, by mutual agreement, terminated parts of the 1946 trade agreement between the two countries.[19] The parts that were terminated were the schedules of tariff concessions and the provisions of the agreement that related directly thereto. The general provisions of the agreement that remained in effect continued the obligation of each country to maintain most-favored-nation treatment in its trade with the other, to accord national treatment in the application of internal taxes to the other, and to administer its import policies on an equitable basis. Paraguay had requested the partial termination pursuant to article XVII of the agreement.

The cancellation of the U.S. schedule of concessions in the Paraguayan agreement did not result in any increases in U.S. import duties. All of the commodities on which the United States had granted tariff reductions in the agreement were subject to at least equivalent commitments in other trade agreements. However, a binding of pettigrain oil on the free list was eliminated.

Modification of Bilateral Agreement With Switzerland

By exchanges of notes with the United States on January 18, December 20, and December 28, 1962, Switzerland modified its schedule of concessions in the 1936 Swiss-United States bilateral trade agreement.[20] The modifications entered into force on January 1, 1963. Concessions on six items were withdrawn from the Swiss schedule and concessions on several other items were modified. In recent years, Switzerland had imported from the United States articles covered by only three of the six items withdrawn from the Swiss schedule—surfaced building board and two items of chrome-tanned leather. Swiss imports of these articles from the United States were valued at $161,000 in 1960. Compensation for the Swiss withdrawals and modifications were obtained by the United States as part of the Swiss-United States trade agreement of March 5, 1962, negotiated at the 1960–62 GATT tariff Conference.[21]

UNILATERAL U.S. ACTIONS AFFECTING TRADE-AGREEMENT ITEMS

Several U.S. legislative provisions authorize the imposition of import restrictions to afford protection to domestic industries or Government

[19] The trade agreement was signed on Sept. 12, 1946, and became effective on Apr. 9, 1947 (TIAS 1601). The exchange of notes terminating parts of the agreement took place on June 26, 1963 (TIAS 5396).

[20] 49 Stat. 3930. The nomenclature of the treaty was modified by an exchange of notes on Dec. 30, 1959.

[21] See Department of State Publication 7349, Comm. Pol. Ser. 186, 1962, pp. 159–161.

agricultural programs, or to extend adjustment assistance to firms and workers. Actions taken under these provisions during the period July 1962 to June 1963 are discussed in this section. In most instances, import restrictions imposed under these provisions would impair trade-agreement concessions previously granted by the United States.

Actions Under the Escape Clause

After 1943 all of the trade agreements that the United States concluded under the Trade Agreements Act of 1934, as amended and extended, incorporated a safeguarding clause commonly known as the standard escape clause. The clause provided, in essence, that either party to the agreement could withdraw or modify any concession made therein if, as a result of such concession, imports of the particular commodity entered 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.

During most of the period covered by this report, the U.S. procedures for administering the escape clause of trade agreements were prescribed by section 301(b) of the Trade Expansion Act of 1962, and by Executive Order 11075 of January 15, 1963. These procedures are described in detail in chapter 1. Before the Trade Expansion Act became law in October 1962, U.S. escape-clause procedures were set forth in section 7 of the Trade Agreements Extension Act of 1951, as amended, and related Executive orders.[22] Both the old and the new procedures required investigations by the Tariff Commission.

Status of escape-clause investigations

On July 1, 1962, four escape-clause investigations were pending before the Tariff Commission. During the period covered by this report, the Commission instituted two additional investigations.[23] By June 30, 1963, the Commission had completed all six. One of them—relating to vanillin—was completed before the Trade Expansion Act became law; the Commission decided unanimously against escape action under section 7 of the Trade Agreements Extension Act of 1951, as amended. In each of the other investigations, the Commission decided unanimously against escape action under 301(b) of the Trade Expansion Act. The products

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[22] See *Operation of the Trade Agreements Program*, 14th report, ch. 3.

[23] Between Apr. 20, 1948, when it received the first application for an escape-clause investigation, and June 30, 1963, the Commission instituted a total of 135 such investigations under Executive order and sec. 7 of the Trade Agreements Extension Act of 1951, as amended, and 1 investigation under sec. 301(b) of the Trade Expansion Act of 1962.

involved and the dates on which respective investigations were completed were as follows: [24]

Vanillin (Aug. 20, 1962)
Softwood lumber (Feb. 14, 1963)
Hatters' fur (Mar. 13, 1963)
Household china tableware and kitchenware (Apr. 5, 1963)
Earthenware table and kitchen articles (Apr. 11, 1963)
Certain whisky (Apr. 26, 1963)

Review of escape-clause actions

U.S. trade agreements legislation and the standard escape clause in trade agreements have provided that any escape-clause action that the President took with respect to a particular commodity would remain in effect only "for the time necessary to prevent or remedy" the injury to the domestic industry concerned. Sections 351(d) (1), (2), and (3) of the Trade Expansion Act established formal procedures, involving Tariff Commission investigations, for the review of escape-clause actions. These procedures, which superseded those set forth earlier by Executive Order 10401,[25] are described in detail in chapter 1. Briefly, however, section 351(d)(1) requires the Tariff Commission to review annually developments relating to each escape action, and to report thereon to the President; sections 351(d) (2) and (3) require the Commission, under specified circumstances, to advise the President as to the probable economic effect on the industry concerned of the termination of an escape action.

During the 12 months that ended June 30, 1963, the Tariff Commission submitted to the President five annual reports under Executive Order 10401, two annual reports under the provisions of both Executive Order 10401 and section 351(d)(1), [26] and one report under section 351(d)(2). In each of the seven annual reports, the Commission concluded, in effect, that circumstances had not so changed as to warrant consideration of the termination of the escape action. The seven reports are listed below

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[24] For a more complete review of the investigations undertaken by the Tariff Commission during this period, see *Forty-seventh Annual Report of the United States Tariff Commission* (TC Publication 119).

[25] For the provisions of Executive Order 10401 and actions pursuant to it during the period July 1, 1960, to June 30, 1962, see *Operation of the Trade Agreements Program*, 14th report, ch. 3.

[26] Although the Trade Expansion Act became law on Oct. 11, 1962, Executive Order 10401 was not superseded and revoked until Jan. 15, 1963 (Executive Order 11075, 28 F.R. 473). Tariff Commission reports on stainless-steel table flatware and safety pins were submitted during the interval.

(the dates shown are those on which the reports were submitted to the President):

Linen toweling (5th report; July 25, 1962)
Watch movements (7th report; July 25, 1962)
Dried figs (9th report; Aug. 30, 1962)
Cotton typewriter-ribbon cloth (1st report; Sept. 21, 1962)
Lead and zinc (3d report; Oct. 1, 1962)
Stainless-steel table flatware (2d report; Nov. 1, 1962)
Safety pins (4th report; Dec. 31, 1962)

By June 30, 1963, the President had taken no action on the Tariff Commission reports on stainless-steel table flatware and safety pins; the President concurred with the Commission's conclusion in each of the other reports.

After an annual review of the developments in the trade in clinical thermometers, the Tariff Commission on May 18, 1962, instituted a formal investigation of clinical thermometers under paragraph 2 of Executive Order 10401. On October 24, 1962, the Commission gave notice that the investigation would continue under section 351(d)(2)(5) of the Trade Expansion Act. On May 2, 1963, the Commission advised the President that, in its judgment—

> a reduction or termination of the increase in the duty on clinical thermometers would probably idle productive facilities, weaken an already low profit position, lead to a further decline in employment, interrupt a readjustment movement now taking place in domestic production, and cause firms to curtail research and capital investment programs which are now underway. [27]

By June 30, 1963, the President had taken no action on this report.

Adjustment Assistance to Firms and Workers

As indicated in chapter 1, the Trade Expansion Act of 1962 provided, in effect, two avenues whereby individual firms or groups of workers could become eligible for adjustment assistance. On the one hand, the individual firm or group of workers could petition the Tariff Commission for a determination of its eligibility under section 301(c); on the other, the President, after receiving an affirmative finding from the Tariff Commission under section 301(b) (the so-called escape clause), could authorize the firms and/or workers in the industry concerned to apply to the Secretaries of Commerce and Labor, respectively, for certification of eligibility. Since the Commission made no affirmative findings under section 301(b) during the period under review, the latter avenue was not used.

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[27] U.S. Tariff Commission, *Clinical Thermometers: Report to the President on Investigation No. TEA–IA–1 Under Section 351(d)(2)(5) of the Trade Expansion Act of 1962*, TC Publication 90, 1963 [processed].

From October 1962 through June 1963, the Tariff Commission instituted six investigations under section 301(c). Two of these resulted from petitions by firms; four, from petitions by groups of workers. By June 30, 1963, the Commission had completed one of the "firm investigations" and three of the "worker investigations." In each instance, the Commission found unanimously that the article or articles involved were not, as a result in major part of concessions granted in trade agreements, being imported into the United States in such increased quantities as to cause either serious injury to the firm, or unemployment or underemployment of a significant number or proportion of the workers of the firm or appropriate subdivision thereof.[28] Data relating to the six investigations are given in the tabulation below:

Commodity	Petitioner	Investigation completed
Certain household chinaware.	American Ceramic Products, Inc., Santa Monica, Calif.	Apr. 9, 1963.
Sodium gluconate	Industrial Biochemicals, Inc., Edison, N.J	Pending on June 30, 1963.
Zinc	International Union of Mine, Mill and Smelter Workers, on behalf of workers of the zinc mine and mill operated by the New Jersey Zinc Co. at Hanover, N. Mex.	Mar. 11, 1963.
Transistor radios	International Union of Electrical, Radio, and Machine Workers, on behalf of workers in the Sandusky, Ohio, plant of the Philco Corp., a subsidiary of the Ford Motor Co.	May 17, 1963.
Iron ore	United Steelworkers of America, AFL–CIO, on behalf of workers of the Ishkooda and Wenonah iron ore mines at Red Mountain, near Fairfield, Ala., operated by the Tennessee Coal and Iron Division of the United States Steel Corp.	June 28, 1963.
Cotton sheeting	Local No. 282 of the Textile Workers Union of America, AFL–CIO, CLC, on behalf of workers in the plant in Cordova, Ala., owned and operated by Indian Head Mills, Inc.	Pending on June 30, 1963.

Action Under Section 22 of the Agricultural Adjustment Act

During the period under review, the United States, under the provisions of section 22 of the Agricultural Adjustment Act, as amended, continued to apply quantitative restrictions to the importation of certain cotton and cotton waste; cotton fiber processed but not spun; wheat and wheat products; certain dairy products; peanuts; and certain articles containing butterfat.

Section 22 of the Agricultural Adjustment Act, as amended,[29] authorizes the President to restrict imports of any commodity, by imposing either

[28] For a more complete résumé of these findings, see *Forty-seventh Annual Report of the United States Tariff Commission*, TC Publication 119, 1964.

[29] 7 U.S.C. 624.

fees or quotas (within specified limits), whenever such imports render or tend to render ineffective, or materially interfere with, programs of the U.S. Department of Agriculture relating to agricultural commodities or products thereof. Section 22 requires the Tariff Commission, when so directed by the President, to conduct an investigation, and to make a report and recommendation to him.[30]

No investigations under section 22 of the Agricultural Adjustment Act were instituted during the period covered by this report. On July 1, 1962, however, one investigation was pending before the Tariff Commission. On November 22, 1961, at the request of the President,[31] the Commission had instituted an investigation of articles or materials wholly or in part of cotton. On September 6, 1962, the Commission reported the results of its investigation. It found, by majority vote, that articles or materials containing cotton were not being, and were not practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective the agricultural programs with respect to cotton or cotton products. Accordingly, the Commission concluded that no import fee needed to be imposed for the purposes of section 22. On the same day, the President acknowledged the Commission's report and finding;[32] he also requested the Department of Agriculture to formulate a domestic program to deal with the inequity of the two-price system for the sale of U.S. cotton.

The Cotton Textile Arrangements

During the period under review here, the United States participated in both the short-term and the long-term cotton textile arrangements negotiated under the aegis of the General Agreement on Tariffs and Trade.

In May 1961 the President had announced a seven-point program to assist the U.S. textile industry in meeting problems resulting from rapid technological changes, shifts in consumer preferences, and increasing international competition. To carry out part of the program, the President directed the U.S. Department of State to arrange for an early conference of representatives of the principal cotton textile importing and exporting countries to seek an understanding which would provide a basis for international trade in cotton textiles that would avoid undue disruption of established industries. Ultimately, the United States and

[30] At their Ninth Session in 1954–55, the Contracting Parties to the General Agreement on Tariffs and Trade granted the United States a waiver of its commitments under arts. II and XI of the General Agreement to the extent that those commitments were inconsistent with action that the United States was required to take under sec. 22.

[31] The President's request was made as part of a seven-point program to assist the U.S. cotton textile industry.

[32] *Department of State Bulletin*, vol. 47, Sept. 24, 1962, p. 463.

18 other GATT Contracting Parties agreed to a short-term cotton textile arrangement.[33] This short-term arrangement terminated on September 30, 1962. Meanwhile, the same 19 countries had negotiated a long-term arrangement, which was similar to the short-term arrangement; it came into force on October 1, 1962, for an initial period of 5 years. By mid-1963, some 23 countries participated in the long-term arrangement.[34]

The United States participated in the cotton textile arrangements under the provisions of section 204 of the Agricultural Act of 1956, as amended;[35] section 204 authorized the President, whenever he determined it to be appropriate, to negotiate with representatives of foreign governments in an effort to obtain agreements limiting the exportation from such countries to the United States of any agricultural commodity or product manufactured therefrom, or textiles or textile products, and to issue regulations governing the entry of such articles to carry out such agreements.

If imports of cotton textiles in any of 64 categories [36] were causing or threatening to cause disruption of its markets, a participating country, under the long-term arrangement, could request any other participating country to restrain its exports of those products to a level not lower than the level of actual exports of such products during the 12-month period terminating 3 months preceding the month in which the request was made. If the exporting country failed to agree to such restraint within 60 days (or if consultation during this period achieved no alternative solution), the importing country could then prohibit the entry from the country in question of those cotton textiles in excess of the level specified in its request. In critical circumstances, moreover, a participant could impose such a prohibition temporarily while its request was under discussion. The participating countries also agreed to avoid circumvention of the arrangement by transshipment or rerouting, substitution of directly competitive textiles, or action by nonparticipants.[37]

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[33] Arrangements Regarding International Trade in Cotton Textiles, done at Geneva, July 21, 1961. The participants included Australia, Austria, Canada, Denmark, India, Japan, Norway, Pakistan, Portugal, Spain, Sweden, the United Kingdom (also representing Hong Kong), the United States, and the European Economic Community (Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands). The United States accepted the short-term arrangement on Sept. 7, 1961 (TIAS 4884).

[34] Long-Term Arrangement Regarding International Trade in Cotton Textiles, concluded ad referendum at Geneva on Feb. 9, 1962. The participants included the 19 countries that had joined in the short-term arrangement, plus Colombia, Israel, Mexico, and the United Arab Republic. Colombia and Mexico were not GATT members. The United States accepted the long-term arrangement on Sept. 26, 1962 (TIAS 5240).

[35] 7 U.S.C. 1854.

[36] Sixty-four categories of cotton textiles (e.g., velveteens, corduroy, dish towels) were specified in the arrangements.

[37] In 1962 the Agricultural Act of 1956 was amended to provide the President authority to control imports from nonparticipating countries.

A participating country which imposed restrictions was obliged to reexamine these measures from time to time with a view to their elimination as soon as possible and to report on such developments at least once a year to the Cotton Textiles Committee of the General Agreement on Tariffs and Trade.[38] Should the restraint measures remain in force for a second 12-month period, the level for that period was not to be lower than the level specified for the preceding 12-month period, increased by 5 percent, although in extreme cases of market disruption no increase needed to be made. Should the restraining measures remain in force for further periods, the level for each subsequent 12-month period was not to be lower than the level specified for the preceding period, increased by 5 percent.

The procedures governing U.S. participation in the long-term cotton textile arrangement were set forth in Executive Order 11052.[39] These procedures were similar to those established for the short-term arrangement. The President directed the Secretary of Commerce, as Chairman of the President's Cabinet Textile Advisory Committee (PCTAC), to establish a subcommittee to be known as the Interagency Textile Administrative Committee (ITAC), which was to recommend actions to be taken by appropriate officials and agencies with regard to the rights and obligations of the United States under the long-term arrangement. The ITAC was to be composed of representatives of the Departments of Commerce (the chairman), State, Treasury, Agriculture, and Labor.[40]

From July through September 1962—the part of the July 1962–June 1963 period when the short-term arrangement was in effect—20 separate restrictions, involving the trade of 8 foreign countries, were imposed on exports of cotton textiles to the United States. From October 1962 through June 1963, under the long-term arrangement, 116 separate restrictions, involving the trade of 16 countries, were imposed. The extent of the restrictions varied widely from country to country; under the long-term arrangement, for example, Pakistan was requested to limit its exports of cotton textiles in 1 category, whereas Hong Kong was requested to limit its exports in 30 categories. In most instances the foreign country agreed to restrain its exports of the designated cotton textiles to a specified level; in a few, the United States embargoed imports of cotton textiles in the category concerned from the country involved.

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[38] Art. 3(6). For an account of the origin and functions of the Cotton Textiles Committee, see *Operation of the Trade Agreements Program*, 14th report, ch. 2, pp. 51–52.

[39] 27 F.R. 9691. This order became effective on Oct. 1, 1962.

[40] The President ordered that, in the event of disagreement within the ITAC with respect to a proposed recommendation, it was to be reviewed and determined by the PCTAC. The Commissioner of Customs was directed to take such actions as the Chairman of the PCTAC might, upon either the unanimous recommendation of the ITAC or the recommendation of the PCTAC, direct to carry out the long-term arrangement with respect to entry or withdrawal from warehouse for consumption of cotton textiles.

Both the short-term and the long-term arrangements permitted a participant to enter into bilateral arrangements regarding trade in cotton textiles on terms other than those provided in the multilateral arrangements. Japan and the United States negotiated such a bilateral arrangement, which they placed in effect for the 12-month period beginning January 1, 1962. The arrangement established specific quotas on exports of cotton textiles from Japan to the United States. During the 12-month period no embargoes were imposed by the United States on imports of cotton textiles from Japan. When the bilateral agreement expired on December 31, 1962, the United States asked Japan to impose restraints on a wide range of cotton textiles under the multilateral long-term arrangement. When consultations regarding the U.S. request made little progress, the United States proposed that a new bilateral arrangement be negotiated. Japan and the United States entered into such negotiations, but by June 30, 1963, they had not been concluded.[41]

Actions Under the National Security Provision

During the period under review, two investigations were in progress under the national security provisions of U.S. trade agreements legislation.

Section 232 of the Trade Expansion Act repeated virtually verbatim the national security provisions of earlier trade agreements legislation. Essentially, these provisions forbade the President to decrease or eliminate the duty or other import restriction on any article if he determined that such reduction or elimination would threaten to impair the national security. Upon request of the head of any department or agency, upon application of an interested party, or upon his own motion, the Director of the Office of Emergency Planning [42] was to make an investigation to determine the effects on the national security of imports of the article concerned. If as a result of such investigation, the Director believed that this article was being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security, he was to so advise the President; and, unless the President determined otherwise, he was to take such action, and for such time, as he deemed necessary to adjust the imports of the article so that they would not threaten to impair the national security. These provisions are discussed in greater detail in chapter 1.

During the period considered here, the Office of Emergency Planning had two investigations in process—one on textiles and textile manufactures and the other on manganese and chromium ferroalloys and electrolytic manganese and chromium. Neither was completed by June 30, 1963. Meanwhile, the United States continued to impose quotas

[41] The bilateral arrangement was ultimately concluded on Aug. 27, 1963.

[42] Formerly designated the Office of Civil and Defense Mobilization.

on imports of crude petroleum, unfinished oils, and finished petroleum products.[43] These regulations had been modified from time to time. On January 1, 1963, the method of calculating the maximum level of imports of crude oil, unfinished oils, and finished products that would be permitted into districts east of the Rocky Mountains was changed; this change was designed to increase the growth rate of domestic production in these districts relative to that of imports.[44]

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[43] Proclamation 3279 of Mar. 10, 1959 (24 F.R. 1781). This mandatory program superseded the Voluntary Oil Import Program, which had been in effect earlier as a result of action taken under sec. 7 of the 1955 extension act. For background, see *Operation of the Trade Agreements Program*, 10th report, pp. 87–88. The mandatory restrictions modified concessions previously granted to the Benelux countries, the United Kingdom, and Venezuela; for details, see *Operation of the Trade Agreements Program*, 12th report, p. 90.

[44] Prior to Jan. 1, 1963, the maximum level of authorized petroleum imports into districts east of the Rockies was related (as a percent) to estimated total demand in these districts. Effective Jan. 1, 1963, the maximum level was related (as a percent) to estimated production in these districts, pursuant to a finding of the President that such was necessary in order to enhance the ability of the petroleum industry to meet possible national security demands.

Chapter 4

Major Commercial Policy Developments in Countries With Which the United States Has Trade Agreements

INTRODUCTION

The emergence of regional economic arrangements has probably been the dominant development in the commercial policies of free-world countries in recent years. The major regional groups of recent origin (and the year in which they were established) are the European Economic Community (1958); the European Free Trade Association (1960); the Central American free-trade area (1959); and the Latin American Free Trade Association (1961). Although far older and of a different character, the (British) Commonwealth of Nations also has embodied extensive tariff preferences on trade among member countries. Other regional economic arrangements have recently been proposed or instituted, but none have portended major changes in world trade.

Most of the members of the aforementioned regional organizations have trade-agreement obligations with the United States, chiefly through their membership in the General Agreement on Tariffs and Trade. Indeed, certain provisions of the General Agreement permit GATT members to participate in regional arrangements. These provisions are in the nature of exceptions to the basic GATT principles of multilateralism and nondiscrimination. Tariff discrimination, resulting largely from the elimination of tariffs on intraregional trade rather than the raising of tariffs on goods entering from outside the region, has been an intrinsic feature of the development of the regional groupings. Since commercial policy developments in most major trading countries with which the United States has trade agreements have been closely associated with policies pursued by the various regional groups, this chapter will be devoted primarily to actions by such groups affecting their foreign trade.

EUROPEAN ECONOMIC COMMUNITY

During the year under review, the European Economic Community (EEC) advanced further toward its ultimate goal of an integrated regional economic arrangement. The member States (1) reduced their customs

duties and quantitative restrictions on trade within the Community, (2) agreed to accelerate the establishment of a common external tariff, and (3) took steps toward a common agricultural policy. Greece and Surinam became associate members of the Community. The Community renewed its association with 18 African and Malagasy States.

The European Economic Community was initially comprised of Belgium, the Federal Republic of Germany, France, Italy, Luxembourg, and the Netherlands. Under the 1958 Treaty of Rome (the Common Market Treaty), these six nations agreed to create a customs union,[1] in a series of steps, over a period of 12 to 15 years.

About a third of the EEC's transitional period had elapsed by the beginning of the period dealt with here. In 1960 the EEC members agreed to accelerate their implementation of the provisions of the Rome Treaty; consequently they were significantly ahead of schedule in reducing their import duties on intra-EEC trade and in alining their individual tariffs with the common external tariff. In May 1962 the EEC Council decided to accelerate the implementation of the treaty's tariff provisions a second time. These actions, taken 2½ years ahead of schedule, are discussed in the subsequent sections.

The Reduction of Internal Duties

In accordance with the second "acceleration" decision, the EEC members on July 1, 1962, reduced their duties on intra-EEC trade in industrial commodities by an additional 10 percent of the basic rates [2] and those on Community trade in agricultural goods not subject to quantitative restrictions (so-called liberalized agricultural commodities) by an additional 5 percent of the basic rates. Duties on agricultural goods subject to quantitative restrictions were not changed. As a result of these actions, the duties imposed by EEC members after July 1, 1962, on trade within the Community generally constituted the following proportion of the basic rates: [3]

Industrial products	50 percent
Agricultural products:	
Certain liberalized products [1]	70 percent
All other	65 percent

[1] Includes some farm products covered by common agricultural policy regulations and certain others excluded by the second "acceleration" decision.

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[1] A customs union is an association between two or more nations which agree to abolish restrictions on trade between themselves, to establish a common tariff on imports from third countries, and generally to adopt a common commercial policy.

[2] The basic rates are those customs duties that EEC members applied to each other's goods on Jan. 1, 1957.

[3] The duties on commodities under the jurisdiction of the European Coal and Steel Community, the European Atomic Energy Community, and on certain other commodities were exempted from these reductions.

The next reduction of duties on intra-Community trade, which was to be equivalent to 10 percent of the basic duties on both industrial and agricultural products, was scheduled for July 1, 1963.

In addition to participating in the above-mentioned Community actions, some of the individual members of the EEC made unilateral changes in their import duties during the period under review. Italy, for example, reduced many of its duties by 10 percent in August 1962 in order to curb a rise in domestic prices. The duty reduction, which was to be of a temporary nature, applied to imports from all countries. In March and April 1963, the Italian Government reduced further, or suspended, the import duties on a number of articles, mainly raw materials and foodstuffs; some of the reductions were applied only to imports from EEC members. The latter measures also were taken as part of an anti-inflationary program. In March 1963 France reduced by 30 to 50 percent import duties on a number of goods used in agricultural production; the action was designed to reduce agricultural costs and price levels.

The Common External Tariff

During the period under review, the member States of the European Economic Community did not take any further steps to aline their national tariffs with the Community's common external tariff.[4] In April 1963, however, they reaffirmed an earlier (May 1962) decision to accelerate a second time the alinement of their national tariffs on manufactured goods.[5] In effect, they agreed that the second of the three steps to aline their individual rates of duty on manufactured products with the corresponding duties prescribed in the common external tariff[6] would be taken on July 1, 1963—2½ years ahead of the scheduled date. Presumably, the second alinement step for agricultural products would not be taken until January 1, 1966, in accordance with the original timetable in the Treaty of Rome.

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[4] The common external tariff would eventually be applied to imports from third countries. See *Operation of the Trade Agreements Program*, 14th report, pp. 84–85.

[5] Under the Rome Treaty, the first of those steps to aline the national tariffs of the EEC countries with the common external tariff was to be taken on Jan. 1, 1962; the step was actually taken a year early for manufactured goods (on Jan. 1, 1961), but as scheduled for most agricultural products.

[6] Because the EEC member States anticipated that the 1960–62 tariff negotiations sponsored by the GATT would result in reduced common external tariff (CXT) rates, they generally based their first adjustment toward the common external tariff on the CXT reduced provisionally by 20 percent. In the aforementioned negotiations the EEC committed itself to maintain CXT rates less 20 percent on many (but not all) items. It was anticipated that the second alinement on manufactured goods would be made on a basis similar to the first, i.e., adjustments would be made toward CXT rates less 20 percent.

The Elimination of Quotas

During the period under review the EEC members eliminated numerous quotas and increased the size of many others applying to trade within the Community. These actions accorded with provisions of the Rome Treaty. Pursuant to one provision which required that any quota not filled for 2 successive years was to be abolished, the EEC members eliminated import quotas on 40 groups of articles during the period covered by this report. The remaining import quotas on intra-Community trade, which applied mainly to agricultural commodities, were being increased in size by 20 percent annually; ultimately they were to be abolished.

Common Agricultural Policy

Early in 1962 the EEC member States adopted regulations to establish a common agricultural policy for grains, pork, eggs, poultry, fruits, vegetables, and wine. These regulations became effective in July 1962. The event was highly significant because the members agreed for the first time to submit to Community discipline in the agricultural sphere.[7]

The Treaty of Rome had provided for the substitution of a common agricultural policy (CAP) for the separate agricultural policies of the EEC members. The treaty did not explicitly set forth the provisions of the common agricultural policy; rather, it empowered the EEC Council to make decisions and to issue regulations as needed for the CAP's development. In so doing, the Council was directed to take into account "the particular character of agricultural activities . . .; the need to make appropriate adjustments gradually; and the fact that in Member States agriculture constitutes a sector which is closely linked with the economy as a whole." [8] The CAP regulations superseded the general provisions of the Rome Treaty for the elimination of restrictions on intra-EEC trade and for the development of common restrictions on trade with third countries.

The CAP regulations provided for a variety of import restrictions on the products involved. Under the regulations, imports of grains, pork, poultry, and eggs were to be controlled chiefly by variable levies; imports of fruits and vegetables, by tariffs, quality standards, and minimum import prices; and imports of wine, by quotas. The regulation on grains (which covered all grains except rice) provided for a levy on imports of grain from member countries, as well as one on imports from third countries. The levy on grain imported from other EEC countries was

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[7] For a more detailed account of the initial steps toward a common agricultural policy, see the U.S. Department of Agriculture, *Farmer's World, The Yearbook of Agriculture, 1964.* See also European Economic Community, *Regulations and Decisions in the Field of Agriculture Adopted by the Council on 14 January 1962* (an English translation).

[8] Art. 39 of the Treaty of Rome.

to be equal to the difference between a designated minimum price (the threshold price [9]) in the importing country and the market price in the exporting country. The levy on grain imported from third countries was to be equal to the difference between the threshold price in the importing country and the lowest offer price on the world market (c.i.f.[10] European ports), plus a preference payment,[11] which, as the name implies, was intended to give preference to intra-Community trade in grain.

The CAP regulations also provided that the target (support) prices [12] for grain in the individual EEC countries had to be harmonized by the end of the transitional period (i.e., the end of 1969); a single target price for the Community was to be established by that time. As the differences between national target prices became smaller, the levies imposed on internal trade would gradually disappear. The first step toward harmonization of target prices was scheduled for April 1963; it was not taken then, however, primarily because of resistance in Germany to a lowering of agricultural support prices.[13] The ultimate height of the single target price on grains was of great concern to the major foreign suppliers of the EEC's grain imports. In their view, the higher the EEC target price, the greater would be the output of grain within the EEC. The variable levy would provide full protection to the EEC producers whatever the height of the target price.

The CAP regulations for pork, poultry, and eggs were broadly similar. Intra-EEC trade in these products was subject to levies consisting of two elements: (1) An amount calculated to offset differences in feed costs between the two member countries involved, and (2) an amount which in most instances was initially equal to the import duty in effect before the regulations had been adopted. The first element would disappear as grain prices were harmonized during the transitional period, and the second element would be gradually eliminated by steps provided in the regulations. EEC imports of these products from third countries were subject to variable levies composed of three elements, plus so-called gate prices. The first two elements of each levy were similar to those applied

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[9] The threshold price is, in effect, a minimum import price. At any port, it is equal to the target price for the country concerned (a price set annually by each EEC member government as a goal for domestic grain) *less* appropriate internal freight and marketing costs.

[10] Cost, insurance, and freight.

[11] During the period reviewed here, the preference payment was US$1.10 per metric ton. The variable levy on grain may also be adjusted for differences in quality.

[12] In a broad sense, the target price in the EEC countries is a support price. Technically, however, Government purchases to support given prices would be made at prices slightly below the target price.

[13] The CAP grain regulations provided that the Council would determine target prices at specified intervals, presumably moving gradually toward the harmonization of national target prices.

to intra-EEC trade (discussed above); the third element was a preference payment, to be increased gradually during the transitional period. The gate, or minimum import, prices were to be determined regularly by the EEC Commission; if the purchase price of pork, poultry, and eggs imported from outside the EEC should fall below the appropriate gate price, the variable levy would be increased by an amount equal to the difference between them.

The CAP regulations for fruits and vegetables established import tariffs, minimum quality standards, and a so-called reference (minimum import) price. If imports of these products at prices below the reference price should disturb, or threaten to disturb, markets of an EEC member, the regulations provided that such imports could be suspended or that a fee equal to the difference between the import price and reference price could be levied.

The CAP regulations on wine established a series of quotas on imports of that product.

New Associates

During the period under review, Greece became an associate member of the European Economic Community, Surinam signed an agreement of association with the Community, and 18 African and Malagasy States renewed their association for another 5 years.

Greece, which became an associate member on November 1, 1962, was gradually to assume the obligations of EEC membership, with the aim of eventually becoming a full member.[14] Greece agreed, first, to eliminate customs duties on commodities imported from the EEC members over a period of 12 years, and, second, to bring its agricultural policies into conformity with those of the Community over a period of 22 years. In return, the original EEC members agreed to extend to Greece the reductions of tariffs and other import restrictions that they applied to intra-Community trade.

The agreement of association between Surinam and the EEC became effective on September 1, 1962.[15] According to its terms, the EEC members were to extend to Surinam the same trade advantages that they accorded one another; in return Surinam was to grant preferential tariff treatment to imports from the EEC.

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[14] Based on art. 238 of the Treaty of Rome.

[15] The agreement was based on art. 131 of the Treaty of Rome, which provides that member States may bring into association those non-European countries and territories which have special relations with any of the following: Belgium, France, Italy, and the Netherlands.

A treaty to renew the agreement of association between the EEC and 18 African and Malagasy States was initialed on December 20, 1962.[16] Italy and the Netherlands, however, were reluctant to conclude the convention. By June 30, 1963, the agreement still had not been signed or ratified,[17] but the associated States continued to abide by the terms of the expired treaty. The proposed renewed agreement would obligate the EEC to gradually abolish tariffs and quotas on goods originating in the 18 associated countries, thereby extending to these new nations the same preferential treatment accorded the member States. The 18 nations, for their part, were to liberalize access to their markets by reducing import duties by 15 percent annually, and by abolishing import quotas within 4 years on commodities imported from EEC countries. However, these associated nations would be permitted to impose (or increase) import restrictions on goods from the EEC, if such restrictions were deemed necessary to protect their economic development.

EUROPEAN FREE TRADE ASSOCIATION

During the period under review the member countries of the European Free Trade Association (EFTA) reduced import duties on intra-EFTA trade in industrial commodities, eased import quotas applicable to such trade, and took steps to increase intra-EFTA trade in certain agricultural commodities.

The EFTA was formed in 1960 by Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom—all of which were members of the Organization for European Economic Cooperation (OEEC) but not members of the European Economic Community. Finland subsequently became an associate member. The EFTA agreement (Stockholm Convention) provided for the establishment of a free-trade area by the elimination, in stages, of tariffs and other controls on trade among the members. The EFTA countries did not intend to establish a customs union; each EFTA member retained its own external tariff.

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[16] The proposed agreement reflected the change in the political status of the 18 African and Malagasy States. The 18 associated States, formerly colonial and trust dependencies of France, Belgium, and Italy, were the Kingdom of Burundi, the Federal Republic of Cameroon, the Central African Republic, the Republic of Chad, the Republic of Congo (Brazzaville), the Republic of Congo (Leopoldville), the Republic of Dahomey, the Republic of Gabon, the Republic of the Ivory Coast, the Republic of Madagascar, the Republic of Mali, the Islamic Republic of Mauritania, the Republic of Niger, the Republic of Rwanda, the Republic of Senegal, the Republic of Somalia, the Republic of Togo, and the Republic of Upper Volta.

[17] The treaty was signed on July 20, 1963.

In the hope of eventually attaining a European economic union with the EEC countries, the EFTA nations have coordinated their schedule for the removal of duties and quantitative restrictions with the timetable of the EEC. Several of the members of the EFTA, notably the United Kingdom, were negotiating during the year under review for membership or some form of collaboration with the EEC. The United Kingdom's efforts to gain membership in the Community were generally regarded by the EFTA members to be a precedent for them to follow. In January 1963, however, the discussions between the United Kingdom and the EEC were suddenly suspended. Consequently, the prospect of an enlarged European economic grouping faded.

The Reduction of Internal Duties

Late in 1962 the EFTA members reduced their customs duties on intra-EFTA trade in manufactured products [18] to 50 percent of the basic duties—i.e., generally the duties they applied to each other's goods on January 1, 1960.[19] They reached this halfway mark in the scheduled elimination of duties on trade in industrial goods 2 years ahead of the date prescribed in the timetable of the Stockholm Convention.

Five of the EFTA members had reduced their customs duties to the 50-percent level by October 31, 1962, but the remaining two (Austria and Norway) did not follow suit until December 31, 1962. Finland, which was an associate member, put the 50-percent reduction into effect on April 30, 1963. In addition, special provisions were made for Portugal and Denmark. Portugal had not been required to keep pace with the tariff reduction imposed by other EFTA members; it reduced its import duties on certain commodities by 30 percent on January 1, 1963. Denmark also had been granted special exceptions, postponing the duty reductions it had to make on a limited range of industrial goods until March 1, 1963.

In May 1963 the EFTA Ministerial Council decided that the remaining customs duties on trade in industrial goods among the member States would be abolished by December 31, 1966—3 years ahead of the original timetable. The elimination of duties was to be accomplished by three reductions of 10 percent each (i.e., 10 percent of the basic duties) at the close of 1963, 1964, and 1965, and a final reduction of 20 percent at the close of 1966.

Besides instituting the required duty reductions, several EFTA members acted unilaterally to lower restrictions on trade with non-EFTA

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[18] A number of important agricultural and fisheries products fall in the category "industrial commodities," as used in the convention; certain other commodities originally defined as "agricultural" have subsequently been redefined as "industrial."

[19] The basic duties for Denmark are those applied on Mar. 1, 1960, and for Portugal, those applied on Jan. 6, 1960.

countries. Austria, for example, reduced duties not only on a variety of items (mostly metal products) for an indefinite period but also on more than 100 other items for a 6-month period, in order to strengthen its price stabilization program. Switzerland, Norway, and the United Kingdom also reduced some duties during the period under consideration.

The Elimination of Quotas

In May 1963, the EFTA Council decided to accelerate its program for the scheduled elimination of import quotas on trade among member countries. Since the EFTA members imposed quantitative restrictions on intra-EFTA trade in only a few industrial goods, they agreed to abolish such restrictions by the end of 1966 [20]—the date of the final elimination of import duties on internal trade.

By unilateral action, several of the EFTA members enlarged their import quotas on trade with both EFTA and non-EFTA countries. Austria lifted some quantitative restrictions on imports from member nations of the Organization for European Cooperation and Development. Portugal shortened its list of goods subject to restrictive licensing when imported from the member countries of the General Agreement on Tariffs and Trade. Denmark, Finland, and Sweden removed restrictions on trade in certain items with most of their trading partners. Austria and Norway abolished discriminatory treatment of some Japanese goods.

Trade in Agricultural Commodities

During the period covered by this report the EFTA members agreed to remove several items from the special list of agricultural and marine commodities not subject to the free-trade provisions of the convention. This action was intended to facilitate an expansion of exports of certain agricultural products by Denmark and Portugal, whose economies depended heavily on such trade. Both countries had hoped to expand trade in those products with the EEC, but the prospect of their doing so dimmed when the United Kingdom failed to gain membership in the Community.

Besides participating in the multilateral actions of the Association, the member States concluded a number of bilateral agreements which freed trade in agricultural products within the Community. During the 12 months ending June 1963 Denmark obtained some concessions from the United Kingdom, Norway, and Sweden; further, the United Kingdom and Sweden granted concessions on fish and fish products to their EFTA trading partners.

[20] The original agreement provided that import quotas on internal trade in manufactured goods were to be increased by at least 20 percent of the "basic" import quotas (i.e., those in existence in 1959) annually, and that all such quantitative restrictions were to be eliminated by the end of 1969.

LATIN AMERICAN FREE TRADE ASSOCIATION

The members of the Latin American Free Trade Association (LAFTA) conducted their second round of negotiations for the reduction of tariff barriers on intramember trade from August to November 1962; the resulting concessions went into effect on January 1, 1963. The LAFTA members made no changes in the tariffs applicable to imports from their non-LAFTA trading partners.

During the period under review the membership of the Latin American Free Trade Association consisted of Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, and Uruguay.[21] Under the Montevideo Treaty, which established LAFTA in 1961, the members were required to eliminate restrictions on virtually all trade with each other. The treaty provided that barriers to intra-LAFTA trade were to be eliminated over a 12-year period (1962–73) by means of annual negotiations between LAFTA members. Each LAFTA member was required to grant concessions annually to reduce its import duties and charges on commodities actually traded between member countries by at least 8 percent of the weighted average of duties and charges it applied to trade with non-LAFTA nations.[22] The LAFTA procedures, designed to attain a free-trade area, therefore, differed from those of the EEC and the EFTA in that across-the-board reductions of trade restrictions on intra-area trade were not required; moreover, LAFTA differed from the EEC (but not the EFTA) in that it did not provide for the adoption of a common tariff. Nevertheless, the treaty obligated the member States to harmonize their import and export policies and practices, and urged them to coordinate their industrialization policies. Members of the Association were encouraged to conclude agreements among themselves designed to facilitate the complementary development of particular industrial sectors.

During the second LAFTA Conference, held at Mexico City, the members granted mutual reductions of tariff and other trade barriers on more than 2,000 articles traded among themselves. The majority of the concessions made in the second round instituted further reductions in trade restrictions applicable to commodities on which concessions had been granted in the first round; however, concessions on some additional articles were made. Other concessions included the easing of restrictions on trade that resulted from quotas, licensing requirements, and advance deposits.

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[21] The member nations which had trade-agreement obligations with the United States, either via the General Agreement on Tariffs and Trade or by bilateral treaty, were Argentina, Brazil, Chile, Paraguay, Peru, and Uruguay.

[22] The principal requirement to reduce restrictions on commodities not actually traded between member States was that members were to take steps to reduce them on "an increasing number of [those] products."

In total, the reductions of trade barriers for the first 2 years of the existence of the LAFTA were reported to be greater than the minimum required by the Montevideo Treaty.

At the two Conferences, the LAFTA members granted special concessions to Paraguay and Ecuador because of their less developed economies. The special provisions extended to these nations included unilateral reductions of tariff restrictions, the easing of licensing requirements, and the mitigation of rigorous exchange deposit requirements.

In recent years the LAFTA members have employed a variety of restrictive measures, other than customs duties and import quotas, to control their international trade or their use of foreign exchange. Such measures have included surcharges,[23] advance deposits,[24] temporary import or export prohibitions, multiple rates of exchange, subsidies of various imports and exports, and import and export licensing. During mid-1962 to mid-1963, the LAFTA countries generally were in balance-of-payments difficulties, a condition which precluded simplification of the complex trade and exchange controls utilized by most of them. Most of the changes which they instituted in the various import charges were made on a unilateral basis. Import duties and charges were increased or decreased without apparent trend, according to the exchange positions of the nations involved as well as each government's decision regarding the urgency of the importation of a given commodity.

The LAFTA countries also made numerous changes in their exchange regulations and advance deposit requirements. The restrictive effects of advance deposits were generally increased through changes both in the amounts of deposits and in the length of retention of the deposits by the government authorities. Frequently the amount of deposit required exceeded the value of the prospective import. Because the increased import restrictions were usually applied only to trade from non-LAFTA countries, they broadened the differences in the level of restrictions on intra-LAFTA imports and the level on imports from non-LAFTA sources.

THE BRITISH COMMONWEALTH

In the period under review the prospect of the United Kingdom becoming a member of the EEC had become a matter of great concern to

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[23] A surcharge is a customs duty collected in addition to the regular import duty for either fiscal or protective purposes. Frequently it is levied as a percentage of either the amount of regular duty collected or the value of goods imported.

[24] Advance deposits are deposits of foreign exchange which an importer must place with government officials in advance of importation. The amount of the required deposit is ordinarily a given percentage of the value of the prospective import, usually somewhat less than the total value.

the members of the British Commonwealth.[25] If the United Kingdom joined the EEC, the Commonwealth's system of imperial preferences was certain to be substantially altered. Hence, the Commonwealth countries feared that the preferential treatment accorded to their exports by the United Kingdom would be diminished or terminated. As noted earlier, however, the discussions between the United Kingdom and the EEC concerning the United Kingdom's application for entry into the Community were suspended in January 1963.

Under the imperial preference system,[26] many of the commodities imported into the United Kingdom from Commonwealth countries entered duty free; numerous others entered at rates lower than those applied to imports of comparable articles from non-Commonwealth sources. Similarly, most of the Commonwealth nations granted preferential treatment, in varying degree, to the other members. Commonwealth members that exported mainly nonindustrial commodities, i.e., agricultural products and raw materials, benefited considerably from the tariff advantages granted to them by the United Kingdom.

Canada, the largest foreign purchaser of U.S. goods, suffered from balance-of-payments difficulties during the period under review. To assist in stemming a sharp decline in its foreign exchange reserves, the Canadian Government in May 1962 devalued its currency and established a fixed rate of exchange (Canadian $1.081 per U.S. dollar). Subsequently the Government imposed temporary surcharges on about 650 tariff items, affecting more than half of Canada's imports. Most of the items were subject to a surcharge of 5 percent ad valorem; others, mainly those readily available domestically, were subject to a charge of 10 percent ad valorem, while a few, chiefly luxuries, were subject to a surcharge of 15 percent. The United States and other countries protested Canada's action, and urged the Canadian Government to revoke it. As its balance-of-payments situation improved, the Canadian Government eliminated the surcharges in a series of steps, the last of which occurred on April 1, 1963.

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[25] On June 30, 1963, member nations of the British Commonwealth (other than the United Kingdom) included Australia, Canada, Ceylon, Cyprus, Ghana, India, Jamaica, Malaya, New Zealand, Nigeria, Pakistan, Sierra Leone, Tanganyika, Trinidad and Tobago, and Uganda. All of the Commonwealth members except Cyprus and Jamaica were members of the GATT.

[26] South Africa, although no longer a member of the Commonwealth, participated in the system of imperial preference.

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