UNITED STATES TARIFF COMMISSION

Operation of the

TRADE AGREEMENTS PROGRAM

Ninth Report

July 1955—June 1956

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TRADE AGREEMENTS PROGRAM

9-12, 1955-59

Ninth Report

July 1955—June 1956

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

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UNITED STATES TARIFF COMMISSION

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Foreword

This, the ninth report of the United States Tariff Commission on the operation of the trade agreements program, covers the period from July 1, 1955, through June 30, 1956. The ninth report has been prepared in conformity with the provisions of section 3 of the Trade Agreements Extension Act of 1955 and Executive Order 10082 of October 5, 1949. Section 3 of the Trade Agreements Extension Act of 1955 requires the Tariff Commission to submit to the Congress, at least once a year, a factual report on the operation of the trade agreements program. Before the passage of the Trade Agreements Extension Act of 1955, various Executive orders had directed the Commission to prepare similar annual reports and to submit them to the President and to the Congress. The latest of such orders—Executive Order 10082 of October 5, 1949—is still in effect.

During the period covered by the ninth report, the United States and the other contracting parties to the General Agreement on Tariffs and Trade met at Geneva, Switzerland, for the fourth round of multilateral tariff negotiations sponsored by the Contracting Parties. The report describes the negotiations at Geneva, and analyzes the concessions that the United States granted and obtained in those negotiations.

The ninth report also covers other important developments respecting the trade agreements program during 1955–56. These include the proposed legislation concerning United States participation in the Organization for Trade Cooperation; major developments relating to the general provisions and administration of the General Agreement on Tariffs and Trade; the actions of the United States relating to its trade agreements program; and the changes in tariffs, exchange controls, and quantitative trade restrictions that were made by countries with which the United States has trade agreements.

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Chapter 1

United States Trade Agreements Legislation

During the period covered by this report,[1] the United States conducted its trade agreements program under the Trade Agreements Act of 1934, as amended, the Trade Agreements Extension Act of 1951, as amended, and the Trade Agreements Extension Act of 1955.[2] House bill 5550, which proposed to authorize the President to accept membership for the United States in the proposed Organization for Trade Cooperation, was reported on favorably by the House Committee on Ways and Means during the second session of the 84th Congress. The House of Representatives did not act on the bill, however, and the proposed legislation lapsed.

PRINCIPAL PROVISIONS OF THE TRADE AGREEMENTS EXTENSION ACT OF 1955

The Trade Agreements Extension Act of 1955 (sec. 2) extends from June 12, 1955, until the close of June 30, 1958, the period during which the President is authorized to enter into trade agreements with foreign countries. In extending the President's authority, the Congress reiterated (sec. 3) its caveat in every previous extension act since 1951 that enactment of the act "shall not be construed to determine or indicate the approval or disapproval by the Congress of the executive agreement known as the General Agreement on Tariffs and Trade."

Section 3 of the extension act of 1955 amends section 350 of the Tariff Act of 1930 (sec. 1 of the Trade Agreements Act of 1934, as amended).

[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* (first report). The second, third, and succeeding reports of the Tariff Commission on the operation of the trade agreements program will hereafter be cited in a similar short form. Copies of the Commission's earlier reports on the operation of the trade agreements program may be purchased from the Superintendent of Documents, United States Government Printing Office, Washington 25, D.C.

[2] For the provisions and legislative history of the Trade Agreements Act of 1934 and the subsequent extension acts, see *Operation of the Trade Agreements Program* reports as follows: First report, pt. II, ch. 2; second report, ch. 2; third report, ch. 2; fourth report, ch. 2; sixth report, ch. 2; seventh report, ch. 2; and eighth report, ch. 1.

As so amended, section 350 increases the President's authority to reduce United States import duties pursuant to trade-agreement negotiations by alternative methods.[3] The first method permits reductions in import duties of not more than 15 percent of the rates existing on January 1, 1955. Under this provision, the amount of reduction that may become initially effective at one time may not exceed 5 percent of the rate that existed on January 1, 1955. No part of any such reduction after the first part may become initially effective until the immediately previous part has been in effect for not less than 1 year, and no part of any reduction may become initially effective after the expiration of the 3-year period that began on July 1, 1955. In effect, this method authorizes the President to reduce United States rates of duty by a maximum of 5 percent of the rates that existed on January 1, 1955, in each of 3 consecutive 12-month periods, the first such period beginning on July 1, 1955. The President's authority to make such reductions is not cumulative from period to period. Because the rates of duty that were reduced pursuant to the trade-agreement negotiations with Japan and other countries in 1955 became effective after the base date of January 1, 1955, rates of duty reduced by 15 percent or more in those negotiations may not be further reduced under the authority granted to the President by the first method.

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

Section 3 of the Trade Agreements Extension Act of 1955 also amends section 350 of the Tariff Act of 1930 to provide that the President may—within carefully specified limits—exceed the duty-reduction limitations set forth in the act if he determines that such action will simplify the computation of the import duties involved.

Section 3 of the extension act of 1955 further amends the existing trade

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

agreements legislation by providing that the President shall submit to the Congress an annual report on the operation of the trade agreements program. The President's report is to include information regarding new negotiations, modifications made in import duties and import restrictions, reciprocal concessions obtained in trade agreements, modifications made in existing trade agreements (including the incorporation therein of escape clauses), and other information relating to the trade agreements program and to the trade agreements entered into under it. Section 3 of the act also provides that the Tariff Commission shall at all times keep informed concerning the operation and effect of provisions relating to duties or other restrictions contained in trade agreements that have already been entered into or that hereafter may be entered into, and directs the Commission, at least once a year, to submit to the Congress a factual report on the operation of the trade agreements program.[4]

Section 5 of the extension act of 1955 amends the escape-clause procedure (sec. 7 of the Trade Agreements Extension Act of 1951, as amended)[5] by providing that the Tariff Commission shall immediately make public its findings and recommendations to the President (including any dissenting or separate findings and recommendations), and that it shall publish a summary of such findings and recommendations in the *Federal Register*.[6]

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

Under the amended escape-clause provision, the term "domestic industry producing like or directly competitive products" is defined as "that portion or subdivision of the producing organizations manufacturing, assembling,

[4] Since 1947 various Executive orders have directed the Tariff Commission to make a factual report to the President and to the Congress, at least once each year, on the operation of the trade agreements program. The latest of such orders—Executive Order 10082 of October 5, 1949—is still in effect.

[5] For a detailed discussion of the escape-clause procedure, see ch. 4 of this report and *Operation of the Trade Agreements Program* (fourth report), pp. 31–32.

[6] Before this amendment, the law required only that the Tariff Commission submit a copy of its report and recommendations to the Senate Committee on Finance and the House Committee on Ways and Means within 60 days after it had made its report to the President, or sooner if the President had acted on the Commission's recommendations. In practice, the Commission's report was made public at the same time that it was submitted to the two congressional committees.

processing, extracting, growing, or otherwise producing like or directly competitive products . . . in commercial quantities." Where the producing organizations are engaged in operations involving the production of more than one product, section 6 directs the Tariff Commission to distinguish or separate, as far as practicable, the operations of the producing organizations that involve the like or directly competitive products concerned in an escape-clause investigation from its other operations.

Section 7 of the extension act of 1955 amends the existing trade agreements legislation by providing that whenever the Director of the Office of Defense Mobilization has reason to believe that any article is being imported into the United States in such quantities as to threaten to impair the national security, he shall so advise the President. If the President agrees that there is reason for such belief, he shall cause an immediate investigation to be made to determine the facts. If, on the basis of such investigation and findings and of recommendations made in connection therewith, the President finds that the article is being imported in such quantities as to threaten to impair the national security, he shall take such action as he deems necessary to adjust the imports of such article to a level that will not threaten to impair the national security.

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

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

As originally adopted, the General Agreement contemplated that its general provisions would be superseded by the proposed Charter for an International Trade Organization.[7] In 1950, when it became apparent that the proposed International Trade Organization would not be established in the foreseeable future, the Contracting Parties examined the possibility of improving and strengthening the administrative features of the General Agreement. At that time, however, they concluded that it would be premature to change the existing arrangements radically or to amend the agreement in piecemeal fashion. They decided, therefore, to devise methods for dealing with urgent problems that arise when the Contracting Parties are not in session, as well as for conducting tariff negotiations in the interim between full-scale conferences.

[7] For discussions of the proposed Charter for an International Trade Organization, see *Operation of the Trade Agreements Program* reports as follows: First report, pt. II, pp. 17–19, and third report, pp. 31–32.

As a result of discussions at their Sixth Session in 1951, the Contracting Parties established the ad hoc Committee for Agenda and Intersessional Business.[8] The new Committee provided, for the first time, a formal arrangement for considering problems that require immediate action between the regular sessions of the Contracting Parties. First established to operate on an experimental basis between the Sixth and Seventh Sessions, the Intersessional Committee later was made a permanent body.

At the Sixth Session in 1951, the United States suggested that the Contracting Parties make some arrangements for conducting tariff negotiations under the General Agreement without the necessity of convening full-scale conferences of the Geneva-Annecy-Torquay type. To explore this proposal, and to devise a fairly simple technique for interconference negotiations, the Contracting Parties established a working party. The report of the working party, which was adopted during the Sixth Session, established rules for (1) negotiations with nonmember countries that wish to accede to the General Agreement and (2) negotiations between two or more contracting parties that wish to negotiate with each other and to incorporate the results of their negotiations into the agreement.[9]

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

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

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

The Commission on Foreign Economic Policy therefore recommended that—

> The organizational provisions of the General Agreement on Tariffs and Trade should be renegotiated with a view to confining the functions of the contracting parties

[8] Later renamed the Intersessional Committee.

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

to sponsoring multilateral trade negotiations, recommending broad trade policies for individual consideration by the legislative or other appropriate authorities in the various countries, and providing a forum for consultation regarding trade disputes. The organizational provisions renegotiated in accordance with this recommendation should be submitted to the Congress for approval either as a treaty or by joint resolution.[10]

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

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

The principal function of the proposed Organization for Trade Cooperation would be to administer the General Agreement on Tariffs and Trade.[11] Under the proposed Organization, the functions that have been performed by the Contracting Parties in their informal periodic sessions would be transferred to the OTC. Under the new arrangement, the periodic multilateral tariff negotiations that have been sponsored by the Contracting Parties would be sponsored by the OTC. The Organization would also serve—as have the periodic sessions of the Contracting Parties—as an intergovernmental forum for consultations on questions relating to international trade. The Organization would study questions relating to international trade and commercial policy and, where appropriate, make recommendations thereon. It would also collect, analyze, and publish information and statistical data relating to international trade and commercial policy, having due regard for the activities of other international bodies in this field. The Organization would have no authority to amend the provisions of the General Agreement, and no decision or other action of the Assembly or any subsidiary body of the Organization would have the effect of imposing on a member any new obligation that a member had not specifically agreed to assume.

The Agreement on the Organization for Trade Cooperation was approved by the Contracting Parties in plenary session on March 7, 1955, and was

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

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

opened for signature at Geneva on March 10, 1955. It was signed by the United States—subject to approval by the United States Congress—on March 21, 1955. The agreement will enter into force when it is accepted by countries that account for 85 percent of the foreign trade conducted by the contracting parties to the General Agreement. Under this arrangement, the agreement could not enter into force unless it is accepted by the United States, since the United States accounts for more than 20 percent of the total foreign trade of the contracting parties to the General Agreement.

In a special message to the Congress on April 14, 1955, the President of the United States recommended that the Congress enact legislation authorizing United States membership in the proposed Organization for Trade Cooperation. In response to the President's recommendation, House bill 5550 was introduced in the House of Representatives on April 14, 1955, and was referred to the Committee on Ways and Means the same day. The bill proposed to amend the Tariff Act of 1930 by inserting after section 350 a new section authorizing the President to accept membership for the United States in the Organization for Trade Cooperation, and authorizing to be appropriated annually to the Department of State such sums as might be necessary for the payment by the United States of its share of the expense of the Organization and for expenses incident to participation in its activities.

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

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

On March 26, 1956, after public hearings that extended from March 1 through March 16, the Committee on Ways and Means reported favorably on House bill 5550.[12] In approving the proposed legislation, the committee adopted a number of amendments. The first of these amendments provided

[12] See U. S. Congress, *The Agreement on the Organization for Trade Cooperation: Report . . . to Accompany H. R. 5550,* H. Rept. No. 2007 (84th Cong., 2d sess.), 1956. In a statement of minority views included in the report, six members of the committee opposed the enactment of House bill 5550.

that the chief representative of the United States to the OTC should be appointed by the President by and with the advice and consent of the Senate, should have the rank and status of envoy extraordinary and ambassador plenipotentiary, should hold office at the pleasure of the President, should represent the United States in the Assembly of the OTC and might serve ex officio on the Executive Committee or any other subsidiary of the Organization, and should perform such other functions as the President might direct. A second amendment authorized the President to appoint, from time to time, such additional representatives as he might deem necessary to represent the United States. A third amendment made it clear that nothing in the bill should be construed to enlarge or otherwise alter the authority granted to the President by section 350 of the Tariff Act of 1930 or repeal or modify by implication or otherwise any existing United States legislation.

A fourth amendment adopted by the committee specified that acceptance of membership for the United States in the OTC would in no way commit the United States to enact any specific legislation regarding any matter referred to in either the Agreement on the Organization for Trade Cooperation or the General Agreement on Tariffs and Trade. A fifth amendment set forth the understanding of the Congress that the functions of the OTC would be limited (1) to the administration of the General Agreement on Tariffs and Trade and (2) to facilitating intergovernmental cooperation solely in the field of trade. This amendment also made it clear that, in approving the bill, the Congress would understand that the OTC would not be an intergovernmental organization having wide international responsibilities in the economic field as described in article 57 of the Charter of the United Nations (relating to specialized agencies), and that, accordingly, the OTC should not be brought into a specialized-agency relationship with the United Nations under the permissive language of article 11 (b) of the Agreement on the Organization for Trade Cooperation. A sixth amendment provided that neither the President nor any other person or agency should accept on behalf of the United States any amendment to the Agreement on the Organization for Trade Cooperation unless the Congress by law authorized such action.

The House of Representatives did not act on House bill 5550 during the second session of the 84th Congress. With the adjournment of the Congress on July 27, 1956, therefore, the proposed legislation lapsed.

Chapter 2

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

On June 30, 1956, the following 35 countries were contracting parties [1] to the multilateral agreement known as the General Agreement on Tariffs and Trade: Australia, Austria, Belgium, Brazil, Burma, Canada, Ceylon, Chile, Cuba, Czechoslovakia, Denmark, the Dominican Republic, Finland, France, the Federal Republic of Germany, Greece, Haiti, India, Indonesia, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Peru, the Federation of Rhodesia and Nyasaland, Sweden, Turkey, the Union of South Africa, the United Kingdom, the United States, and Uruguay.

At the end of the period covered by this report, the General Agreement embraced the original agreement concluded by the 23 countries that negotiated at Geneva in 1947; the Annecy Protocol of 1949, under which 10 additional countries acceded to the agreement; the Torquay Protocol of 1951, under which 4 other countries acceded; and the Protocol of Terms of Accession of Japan, under which that country acceded in 1955. Indonesia, on behalf of which the Netherlands negotiated concessions at Geneva in 1947, became an independent contracting party in 1950. Since the Geneva Conference in 1947, a total of 39 countries have become contracting parties to the General Agreement. However, the Republic of China, Lebanon, Liberia, and Syria —all of which acceded to the agreement as a result of negotiations at Geneva in 1947 or at Annecy in 1949—have since withdrawn from the agreement.

Article XXV of the General Agreement provides that the Contracting Parties shall meet from time to time to further the objectives of the agreement and to resolve operational problems that may arise. Between the Geneva Conference in 1947 and June 30, 1956, the Contracting Parties met in 10 regular sessions. From the time that the ad hoc Committee for Agenda and Intersessional Business was established in 1951, it has held one or more meetings each year.

At the 10th Session of the Contracting Parties, held at Geneva, Switzer-

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

land, from October 27 to December 3, 1955, 32 of the 35 contracting parties to the General Agreement were in attendance. Nicaragua, Peru, and Uruguay did not send representatives. Represented by observers were 13 countries that were not contracting parties: Argentina, Costa Rica, Ecuador, Egypt, El Salvador, Iran, Israel, Libya, Mexico, Portugal, Switzerland, Venezuela, and Yugoslavia. Also represented by observers were the United Nations, the International Labor Organization, the Food and Agriculture Organization, the International Monetary Fund, the Organization for European Economic Cooperation, the Council of Europe, the European Coal and Steel Community, and the Customs Cooperation Council.

The subsequent discussion of the principal developments relating to the General Agreement on Tariffs and Trade during the period covered by this report is divided into the following sections: (1) Items arising out of the operation of the agreement; (2) tariffs and tariff negotiations; (3) other developments relating to the agreement; and (4) status and administration of the agreement. The first section—items arising out of the operation of the agreement—is divided into subsections dealing with complaints brought before the Contracting Parties under article XXIII, requests for waivers of obligations under article XXV, reports on existing waivers, requests for releases from obligations under article XVIII, and balance-of-payments import restrictions.[2]

ITEMS ARISING OUT OF THE OPERATION OF THE AGREEMENT

Article XXIII of the General Agreement provides that if any contracting party considers that any benefit accruing to it under the agreement is being nullified or impaired by the action of another contracting party, it may bring the alleged impairment to the attention of the contracting party concerned. If this action does not result in an adjustment that is satisfactory to both contracting parties, the matter may then be referred to the Contracting Parties for examination and appropriate recommendation. Matters brought before the Contracting Parties in the manner outlined above are known as complaints. At their 10th Session in 1955, the Contracting Parties considered the 11 complaints discussed below; by June 30, 1956, 5 of these complaints had been settled.[3]

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[2] For the texts of discussions, resolutions, and reports of the 10th Session, see Contracting Parties to the General Agreement on Tariffs and Trade, *Basic Instruments and Selected Documents:* Fourth Supplement, *Decisions, Reports, etc. of the Tenth Session, and Index,* Sales No.: GATT/1956-1, Geneva, 1956.

[3] Unless otherwise specified, the numbers of the articles of the agreement as used in this chapter are those of the unamended agreement. The amended agreement is not yet in force.

Complaints Settled by June 30, 1956

German restrictions on imports of coal (art. XXIII)

At the Ninth Session of the Contracting Parties, representatives of the United States and the Federal Republic of Germany consulted in an attempt to resolve the issue of the Federal Republic's restrictions on imports of coking coal from the United States. The Federal Republic had, during the summer and fall of 1953, first limited and then stopped completely the issue of licenses for direct imports into Germany of United States coal.[4] The two countries were unable to reach agreement, however, and they requested that the subject be placed on the agenda for the 10th Session, with the understanding that meanwhile they would continue their efforts to reach an agreement. At the opening of the 10th Session, the representative of the United States announced that, as a result of the bilateral consultations that had been held, the United States wished to withdraw the item from the agenda. However, the United States reserved the right to bring the matter to the attention of the Contracting Parties again, should that prove necessary.

Italian import duties on cheese (art. XXVIII)

The complaint regarding Italian import duties on cheese originated with Denmark, which believed that Italy had increased certain rates of duty on cheese in a manner contrary to the provisions of article XXVIII of the General Agreement.

In May 1955, Italy notified the Contracting Parties that it desired to consult with Denmark, under the provisions of article XXVIII, with respect to the concessions that Italy granted to Denmark at Torquay on certain types of cheese. The consultations were begun, but before they were completed Italy increased the import duties in question. Denmark considered this a breach of the procedures for modifying schedules of import duties, as set forth in article XXVIII, and registered a complaint with the Contracting Parties. At the 10th Session, however, Italy and Denmark informed the Contracting Parties that they had reached agreement on the matter and that Italy was compensating Denmark for the concessions it had withdrawn.

Italian turnover tax on pharmaceuticals (art. III)

In October 1955, the United Kingdom informed the Contracting Parties (1) that, effective in May 1955, an amendment to an Italian law had provided for a general turnover tax to be levied on imported pharmaceutical products at a rate of 6 percent and on Italian pharmaceutical products at a

[4] Some of the complaints discussed in this report are of long standing. Most of them have been discussed in earlier reports on the operation of the trade agreements program. Where this is so, no attempt has been made in this report to give a detailed history of the complaint; footnote references cite the reports which discuss the origin and earlier history of the complaints. For the history of the United States complaint regarding German restrictions of imports of coal from the United States, see *Operation of the Trade Agreements Program* (eighth report), p. 59.

rate of 4 percent, the basis of assessment in both cases being the price at which the products are sold to the public; (2) that the United Kingdom believed that the difference of 2 percent in the tax was inconsistent with Italy's obligations under article III of the agreement, which requires that a contracting party refrain from imposing upon imports of another contracting party internal taxes or other charges in excess of similar charges levied upon like products of domestic origin; and (3) that the United Kingdom had made its views known to Italy, but that the problem had not been settled.

The British complaint was considered by the Contracting Parties at their 10th Session. The Italian representative stated that his Government planned to reduce the turnover tax on certain imported medicinal specialties from 6 percent to 5 percent on January 1, 1956. On January 1, 1956, Italy so reduced the turnover-tax rate, and the United Kingdom subsequently informed the Contracting Parties that it considered the matter settled.

Swedish antidumping duties (art. VI)

At their Ninth Session in 1954–55, the Contracting Parties considered a complaint by Italy that antidumping duties levied by Sweden on Italian nylon stockings were inconsistent with the provisions of article VI of the agreement. This article authorizes the levying, in certain cases, of antidumping duties not in excess of the margin of dumping. Italy further maintained that Sweden's action had impaired benefits accruing to Italy under the most-favored-nation provisions of the General Agreement.

After considering Italy's complaint, the Contracting Parties concluded that the Swedish antidumping system did not, of itself, conflict with the General Agreement, but they noted that the system might be so administered as to bring it into conflict with the agreement. They recommended that Sweden improve the administration of its antidumping system, and that Italy and Sweden continue to consult on the question of whether dumping was involved in the importation into Sweden of stockings from Italy.[5]

At the 10th Session of the Contracting Parties, Sweden announced that its special regulations regarding antidumping duties, which had been the subject of Italy's complaint at the 9th Session, had been abolished on July 10, 1955. The Contracting Parties, therefore, considered the matter settled, and removed the Italian complaint from the agenda.

United States export subsidies on oranges (art. XVI)

At the 8th Session of the Contracting Parties in 1953, Italy, supported by several other countries, informed the Contracting Parties that it considered that its export trade was being injured by United States subsidies on exports of oranges to certain countries.[6] At the time, the United States and the countries concerned were holding consultations with respect to the subsidies;

[5] See *Operation of the Trade Agreements Program* (eighth report), pp. 40–42.

[6] See *Operation of the Trade Agreements Program* (seventh report), pp. 48–50.

these consultations continued between the 8th and the 9th Sessions. At the 9th Session in 1954–55, Italy reported that the consultations had not yielded satisfactory results.[7] At the 10th Session, however, the Italian representative stated that, as a result of the consultations that had taken place between sessions, Italy wished to withdraw the complaint. The United States representative stated that the bilateral talks had been productive, and noted that on November 1, 1955, the United States would reduce its export payment on oranges from 75 cents to 50 cents a box. The Contracting Parties, therefore, agreed to the withdrawal of the complaint.

Complaints Not Settled by June 30, 1956

Brazilian internal taxes (art. III)

At the 10th Session of the Contracting Parties, the Chairman recalled that the complaint regarding Brazil's internal "consumption" taxes *(impostos do consumo)*, which are applied by that country to certain domestic and imported commodities, had been on the agenda of the Contracting Parties since 1949.[8] These consumption taxes, which are substantially higher on certain imported products than they are on like products of domestic origin, violate the provisions of article III of the agreement, which require that a contracting party refrain from imposing upon imports of another contracting party internal taxes or other charges in excess of similar charges levied upon like products of domestic origin. In response to the Chairman's statement, the Brazilian representative reaffirmed his Government's recognition that these taxes were contrary to the provisions of article III. He stated that the Brazilian Government was continuing its efforts to obtain approval of legislation to eliminate the discriminatory measures, and explained that the legislature had not yet acted because it was considering a new fiscal code. At the suggestion of the French representative, the Contracting Parties prepared and adopted a resolution urging Brazil to take all steps necessary to amend the laws in question to conform with the provisions of the General Agreement, and requesting Brazil to report as early as possible—and not later than the 11th Session—on the action it has taken.

French compensatory tax on imports (art. II)

At their Ninth Session in 1954–55, the Contracting Parties considered Italy's complaint with respect to France's special temporary compensation tax on imports, and concluded that the tax violated the provisions of the General Agreement.[9] France accepted this conclusion and undertook to remove the special compensation tax as soon as possible. The Contracting Parties instructed the Intersessional Committee to follow closely the measures

[7] See *Operation of the Trade Agreements Program* (eighth report), pp. 52–54.

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

[9] See *Operation of the Trade Agreements Program* (eighth report), pp. 34–36.

that France took toward this end, and requested that France report to the Committee regarding the matter before the 10th Session convened.

At the 10th Session, the Intersessional Committee submitted its report to the Contracting Parties. The report noted that, since January 1955, France had eliminated the compensation tax on some items and had reduced it on others, but that it had also extended the tax by applying it to most of the products from which quantitative restrictions had been removed in September 1955 under the liberalization program of the Organization for European Economic Cooperation (OEEC). The report noted, however, that France had confirmed its intention to gradually remove the compensation tax.

After lengthy discussion, during which the representatives of 14 countries, including the United States, expressed serious concern over France's failure to proceed more rapidly toward abolishing the tax, the Contracting Parties approved a resolution noting with satisfaction the reductions in and eliminations of the tax since the Ninth Session, but expressing disappointment that progress had not been more rapid. The resolution requested France to accelerate the elimination of the tax and the reduction of its discriminatory effects, and to report further on the measures taken with respect to the issue. The Contracting Parties agreed to review the complaint again at their 11th Session.

French stamp tax on imports (art. II)

The French stamp tax on imports was designed to defray the costs of clearing imports through the customs. The General Agreement authorizes such taxes by providing (art. II) that a contracting party shall not be prevented from imposing on imports fees or other charges commensurate with the cost of services rendered in connection therewith. At the Ninth Session of the Contracting Parties in 1954–55, the United States asserted that France had increased its stamp tax beyond the allowable limits. The matter was resolved, however, when the French representative noted that France had not raised—and did not intend to raise—the tax beyond the amount necessary to meet the cost of import services rendered, as authorized by the General Agreement.[10] In August 1955, however, France increased the tax from 2 percent to 3 percent, with the specific provision that the increase in the proceeds from the tax be applied to the budget for agricultural family allowances.

The United States immediately complained to the Contracting Parties that France's action was inconsistent with its obligations under the General Agreement. When the matter came before the Contracting Parties at their 10th Session, the French representative agreed that the increase in the tax violated the agreement. But, he stated, France had decided on the increase in exceptional circumstances when it had been necessary to finance the agricultural family allowances, and when there seemed to be no possibility of

[10] See *Operation of the Trade Agreements Program* (eighth report), pp. 34–36.

financing them by normal methods. Also, he noted, the increase in the level of protection involved was small, and did not seem of such a nature as to seriously damage the interests of the contracting parties or to alter the channels of trade. He assured the Contracting Parties that his Government would adjust the tax as soon as possible. The Contracting Parties took note of this assurance, and requested France to report on the matter before the 11th Session.

Italian import duties on cotton (art. X)

On the agenda for the 10th Session of the Contracting Parties was a complaint, originating with Greece, regarding the administration of Italian import duties. Italy, Greece claimed, distinguished for valuation purposes among 5 categories of cotton: (1) American, (2) long-staple Egyptian, (3) short-staple Egyptian, (4) Indian and the like, and (5) cotton not elsewhere specified. Turkish cotton and cotton from certain other countries, according to Greece, was classified by Italy in category 4, while Greek cotton was classified in category 5, which was subject to a higher duty, although it was of nearly the same quality as Turkish cotton and was grown under the same climatic conditions and from the same variety of seed. Greece maintained that the method employed by Italy in appraising imports of Greek cotton for duty purposes was discriminatory and not in accordance with the spirit of those provisions of article X of the General Agreement that call for uniform, impartial, and reasonable administration of laws, regulations, decisions, and rulings pertaining to the classification or valuation of products for customs purposes. At the 10th Session the Italian representative informed the Contracting Parties that his Government was studying the question of the duties on imports of Greek cotton. In view of this study, the representative of Greece declared that it was unnecessary to discuss the matter further at the 10th Session. He asked, however, that it be referred to the Intersessional Committee in the event a satisfactory solution was not reached. The Contracting Parties agreed to refer the question to the Committee, should that prove necessary.

United States (Territory of Hawaii) regulations on imported eggs (art. III)

In a communication to the Contracting Parties in September 1955, the Australian Government stated (1) that the United States Territory of Hawaii had enacted legislation requiring retail establishments selling imported eggs to display a sign reading "We sell foreign eggs," and requiring restaurants serving imported eggs to exhibit a sign reading "We serve foreign eggs"; (2) that this legislation was directed toward reducing the sale of Australian eggs, and that it was contrary to article III of the General Agreement in that Australian eggs were not being "accorded treatment no less favorable than that accorded to like products of national origin in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use" as specified in that article; and (3) that the Australian Government had protested to the United States, but that the matter had not been satisfactorily adjusted.

The question of the Hawaiian egg regulations was brought before the Contracting Parties at their 10th Session. The Australian representative stated that his country had learned that the regulation in question was under consideration in the United States courts and, in view of that fact, did not desire to pursue the question until the outcome of the court case was known. The United States representative agreed that under the circumstances it would be best to defer consideration of the matter. The item was thus left in abeyance, pending the outcome of the court case. On June 30, 1956, the case was still before the courts.

United States restrictions on imports of dairy products (art. XXIII)

In 1951, at the Sixth Session of the Contracting Parties, Denmark and the Netherlands, supported by Australia, Canada, France, Italy, New Zealand, and Norway, complained that United States restrictions on imports of certain dairy products violated the provisions of article XI, which require the general elimination of quantitative restrictions on imports. Furthermore, these countries maintained, the restrictions in question impaired commitments that the United States had made in the General Agreement, and the complaining parties were therefore—in retaliation—entitled to request suspension of certain of their obligations to the United States, as provided for in article XXIII. At their Seventh Session in 1952, the Contracting Parties authorized the Netherlands—in retaliation—to limit imports of wheat flour from the United States to 60,000 metric tons a year. At the Eighth Session in 1953, the Contracting Parties requested the United States to report annually on the import restrictions in question.[11]

At the 10th Session, the United States report on its import restrictions on dairy products was incorporated in the more comprehensive report that the United States submitted to the Contracting Parties in accordance with the terms of the section 22 waiver that was granted to the United States in 1955.[12] The combining of the two reports led the Netherlands representative to comment that—from a formal point of view—the United States had not fully complied with its obligations because the report presented under the waiver covered a period some months shorter than that which should have been covered by the report on import restrictions of dairy products. The representative noted that he did not insist on a separate report, but he believed it desirable for the Contracting Parties to decide that the United States had, in its report under the terms of the waiver, sufficiently met the reporting requirements. The Netherlands representative also requested an

[11] See *Operation of the Trade Agreements Program* reports as follows: Fifth report, pp. 32–33; sixth report, pp. 43–45; seventh report, pp. 59–61; and eighth report, pp. 59–62.

[12] This report is discussed in a later section of this chapter.

extension for another year of the authorization granted to his Government to limit imports of wheat flour from the United States to 60,000 metric tons a year. According to him, the effect on his country of the United States import restrictions on dairy products remained substantially unchanged from that prevailing in 1952, 1953, and 1954. With respect to the United States report, the Contracting Parties formally declared at the close of the 10th Session that the one report that the United States had submitted under the terms of the article XI waiver sufficiently met all reporting requirements. The Contracting Parties also authorized the Netherlands Government to limit imports of wheat flour from the United States to 60,000 metric tons during the calendar year 1956.

Waivers of Obligations Granted at the 10th Session

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

Since the General Agreement entered into force, the Contracting Parties have, on a number of occasions, granted to individual contracting parties waivers of their obligations under the agreement. Three such waivers, which were granted at the 10th Session, are discussed below. Also discussed are eight reports, submitted at the 10th Session, that relate to the operation of waivers that the Contracting Parties had granted at earlier sessions.

Australia's special customs treatment of products of Papua and New Guinea (art. I)

At their Eighth Session in 1953, the Contracting Parties granted Australia a waiver of its most-favored-nation obligations under article I of the General Agreement.[13] The waiver was intended to permit Australia to assist in the economic development of the territories of Papua and New Guinea. It permitted Australia to accord duty-free treatment to primary products imported from the specified territories without regard to the rates of duty on like products imported from any other contracting party, as long as the primary products were not subject to Australian tariff concessions under the General Agreement. During 1955 Australia discovered that the terms of the waiver were not sufficiently broad to permit Australia to provide Papua and New Guinea with the assistance those territories desired. After an investigation of the territorial lumber industry, the Australian Tariff Board had recommended that duty-free treatment be accorded to certain timber

[13] See *Operation of the Trade Agreements Program* (seventh report), pp. 32–34.

products originating in Papua and New Guinea. These products, however, were subject to Australian tariff concessions under the General Agreement and could not be considered as within the scope of Australia's waiver.

In order to implement the recommendations of its Tariff Board, Australia —at the 10th Session of the Contracting Parties—requested permission to accord duty-free treatment to imports of certain forest products from Papua and New Guinea, whether or not these products were subject to tariff concessions under the General Agreement. This waiver, the request made clear, was intended—as was the original waiver—to promote the economic development of Papua and New Guinea by permitting Australia to treat a primary industry in those territories as a part of the Australian economic system. The request stressed the unilateral nature of Australia's action. Australia stated that the territories would grant no concessions to Australia, and that the duty reductions would have no serious effects on the trade of other contracting parties.

On November 25, 1955, after examining Australia's application, the Contracting Parties waived the provisions of article I relating to most-favored-nation treatment and margins of preference. This action made it possible for Australia to grant duty-free treatment to unsawn logs, dressed and undressed timber, and veneers, when imported from Papua and New Guinea, without extending similar treatment to like products of other contracting parties. The waiver requires Australia to consult with any contracting party that considers that such action under the waiver is causing, or is likely to cause, material damage to its commercial interests, with a view to arriving at a settlement or compensatory adjustment. Should such consultation fail to result in a satisfactory settlement, the waiver provides that the contracting party affected may refer the matter to the Contracting Parties for consideration. The waiver also provides that the Contracting Parties shall review their decision in the event that changed economic conditions affecting the production or trade of the territories threaten to result in substantial injury to the trade of any contracting party. The terms of the waiver do not require an annual report by Australia. Australia's actions under the second waiver, however, probably will be incorporated in the reports it submits to the Contracting Parties under the terms of the waiver of October 24, 1953.

Belgian quantitative restrictions on imports (art. XI)

On May 16, 1955, Belgium requested the Contracting Parties to waive its commitments under article XI of the General Agreement (which requires the general elimination of quantitative restrictions on imports from or exports to other contracting parties) to permit it to maintain on agricultural products a number of quantitative restrictions that were instituted during the period when Belgium was free to resort to such restrictions to safeguard its balance-of-payments position. The request for the waiver pointed out that, because of conditions prevailing in Belgium's agricultural system—primarily the high cost of agricultural production—removal of the restrictions would subject Belgian agriculture to damaging competition from the Netherlands. Belgium was aware, the request noted, of its obligation to eliminate the quantitative restrictions in question. To this end Belgium, the Netherlands, and Luxembourg had entered into an agreement to harmonize the agricultural policies of the three countries and thus to remove the threat to Belgian agriculture. In view of this agreement, Belgium felt that it could limit its request for a waiver to a period of 7 years. By the end of such a period, Belgium felt, the threat to its agricultural system would have been removed, and it would be able to comply with article XI of the General Agreement.

Belgium's request for a waiver was referred to the Intersessional Committee. Several members of the Committee questioned Belgium's resort to article XXV; they felt Belgium should have requested the waiver pursuant to the terms of the hard-core decision adopted at the Ninth Session of the Contracting Parties in 1954–55.[14] The Belgian delegate pointed out that his country's situation differed from that of the countries for which the hard-core decision was drafted. Moreover, the harmonization agreement among the Benelux countries created a special situation that Belgium thought could best be considered under the terms of article XXV. However, he did not oppose consideration of the request within the terms of the hard-core decision. Accordingly, Belgium's request for a waiver was referred to a working party for consideration within those terms.

A majority of the members of the working party reported that Belgium had not provided sufficient evidence that it could comply with the terms of the hard-core decision. Specifically, these members felt that there was no reasonable prospect that the restrictions would be eliminated within a short period. They were concerned also that Belgium had asked for a waiver for 7 years, whereas the maximum period allowed by the hard-core decision was 5 years. Inasmuch as the Belgian request was the first to be examined within the terms of the hard-core decision, and inasmuch as its treatment would set a precedent for the handling of future requests for waivers, the working party suggested that Belgium submit more detailed information regarding the points at issue, and that the Contracting Parties consider the request at their 10th Session.

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

At the 10th Session some 11 countries expressed opinions on Belgium's request for a waiver; the opinions ranged from strong support of the request by France and Brazil to strong opposition by Denmark and Italy. The matter was referred to a working party for examination in the light of the requirements and undertakings that an applicant must meet in order to obtain a concurrence from the Contracting Parties for the maintenance of quantitative restrictions.[15] The working party reported that a majority of its members believed that the Belgian request met the requirements of the hard-core decision and that Belgium was prepared to accept the undertakings set forth therein.[16] It recommended, therefore, that the Contracting Parties grant a concurrence under the decision for a period of 5 years. Because of the exceptional circumstances surrounding the harmonization of the agricultural policies of the Benelux countries, the working party recommended that the Contracting Parties—pursuant to the provisions of article XXV—extend the concurrence until December 31, 1962, with respect to those remaining restrictions that Belgium may not be able to eliminate within the 5-year period allowed under the terms of the hard-core decision. The Contracting Parties approved the waiver by a vote of 28 to 3.

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

On May 17, 1955, Luxembourg requested the Contracting Parties to waive its obligations under article XI of the General Agreement (requiring the general elimination of quantitative restrictions on imports) to permit it to maintain certain restrictions on imports of agricultural products. Luxembourg's economic structure, the request pointed out, is based essentially on the steel industry and agriculture. Agriculture is, therefore, a vital branch of the national economy and is indispensable to its structural and political balance. However, because of excessive fragmentation of agricultural holdings, unfavorable productive conditions, and a very narrow market, Luxembourg's agriculture is in a precarious position and can be maintained in a satisfactory position only with the support of the state. For more than a century this precarious position has made it necessary to protect agriculture, the request stated, and Luxembourg is not now able to relinquish such protection. Consequently, Luxembourg desired permission to maintain quantitative restrictions on imports of certain agricultural products, of which Belgium and the Netherlands are the principal suppliers.

[15] For a description of these requirements and undertakings, see Contracting Parties to GATT, *Basic Instruments . . .*, Third Supplement, *Decisions, Resolutions, Reports, etc. of the Ninth Session,* Sales No. GATT/1955–2, Geneva, 1955, pp. 38–41.

[16] The working party's report noted, however, that the Danish member could not agree that continuing the restrictions on imports of agricultural products into Belgium would not seriously affect export markets of third countries, and that he could not support a request that, if granted, might aggravate the surplus problem. The Italian member also disagreed with the majority of the working party on several points.

Luxembourg's request for a waiver was considered by an intersessional working party. At the meeting of this group, the representative of Luxembourg made it clear that his country's need for agricultural protection was structural in nature, and could not be regarded as transitional or temporary. Consequently, he pointed out, Luxembourg had requested the waiver pursuant to article XXV, rather than under the hard-core decision of March 5, 1955. The representative also explained the relationship between Belgium's request for a waiver—discussed earlier in this chapter—and the request submitted by Luxembourg. Restrictions appearing in the requests of both countries, he noted, would be maintained by Luxembourg after they had been eliminated by Belgium. Restrictions appearing only in the Belgian list would control importation into the whole territory of the Belgo-Luxembourg Economic Union, but when they were eliminated by Belgium no restrictions would remain on imports into Luxembourg. In administering restrictions appearing only on its list, Luxembourg would not discriminate between sources of supply; restrictions on the Luxembourg list would be applied to Belgian goods as well as to those of other countries.

Because the arrangements for protecting Luxembourg's agriculture were so closely related to those requested by Belgium (which applied to the entire Belgo-Luxembourg Economic Union), the working party recommended that the Contracting Parties consider Luxembourg's request at the 10th Session, together with the Belgian request. At their 10th Session, the Contracting Parties granted Luxembourg a waiver permitting it to continue its existing restrictions, with the understanding that Luxembourg would actively pursue the harmonizing of its agricultural policy with the policies of Belgium and the Netherlands, would adopt all measures necessary to make its agriculture more competitive, and would relax restrictions then in force, as far as practicable. The waiver has no time limit, but will be reviewed by the Contracting Parties in 1960.

Reports on Existing Waivers of Obligations

Australia's special customs treatment of products of Papua and New Guinea (second annual report) (art. I)

At their Eighth Session in 1953, the Contracting Parties granted Australia a waiver of its most-favored-nation obligations under article I of the General Agreement. The waiver permitted Australia to accord duty-free treatment to certain primary products imported from Papua and New Guinea, without regard to the rates of duty on like products imported from any other contracting party. The terms of the waiver required that it be used only to promote the economic development of the specified territories, and that its use not result in material injury to the trade of other contracting parties. Australia was requested to make an annual report to the Contracting Parties on the measures it has taken under the waiver, the effect of these measures on the trade of Papua and New Guinea, and their effect on the importation of products into Australia from all sources.[17]

Australia's second report on the operation of its waiver, submitted to the Contracting Parties at their 10th Session, discussed Australia's decision to admit plywood free of duty from the territories up to an amount not exceeding 12 million square feet (3/16-inch basis) a year. This decision, the report noted, implemented in part the recommendations of the Australian Tariff Board—made after an investigation of the territorial timber industry by the Board—by affording territorial producers of plywood an opportunity to compete equally with Australian producers with respect to a limited quantity of plywood.[18] According to the report, Australia does not expect the duty revision to seriously affect the trade of other contracting parties, since Australia is virtually self-sufficient in plywood and has never been a significant importer of that product.

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

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

The first consultations under the waivers were held at the 10th Session, concurrently with the consultations on balance-of-payments restrictions, which are discussed later in this chapter. The working party that conducted the consultations made no formal separate report on the article XV consultations with Czechoslovakia and New Zealand. In its general report, however, it noted, regarding the consultation with New Zealand, that the International Monetary Fund [19] had found nothing during the consultation to cause it to comment as to whether New Zealand's action in exchange matters was consistent with the Fund's principles. Regarding the consultation with

[17] See *Operation of the Trade Agreements Program* (seventh report), pp. 32–34. For a discussion of Australia's first report on the operation of the waiver, see *Operation of the Trade Agreements Program* (eight report), pp. 32–33.

[18] In comparison with the maximum quantity of 12 million square feet (3/16-inch basis) of plywood a year to be admitted free of duty, Australian production of plywood of such thickness in 1951–52 was 159.2 million square feet.

[19] Pursuant to article XV of the General Agreement, the International Monetary Fund is invited to participate in balance-of-payments consultations.

Czechoslovakia, the report noted only that an exchange of views had taken place.

Establishment of the European Coal and Steel Community (third annual report) (arts. I and XXIV)

On April 18, 1951, Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands concluded a treaty constituting the European Coal and Steel Community, as well as a convention providing for certain transitional arrangements connected with its establishment.[20] The six participating countries then requested the Contracting Parties to waive their most-favored-nation commitments under article I of the General Agreement and their commitments regarding nondiscriminatory application of quantitative restrictions under article XIII. The Contracting Parties granted such a waiver at their Seventh Session in 1952. The waiver, in effect, permitted the member countries to form a limited customs union for the purpose of establishing a common market—with respect to the Community—for coal, iron ore, scrap iron, and steel products. The waiver also required the Community to make an annual report on its progress in implementing the treaty.[21]

At the 10th Session, the European Coal and Steel Community submitted its third annual report to the Contracting Parties. Before referring it to a working party for examination, the Contracting Parties discussed the report at length in plenary session.[22] During the discussion various contracting parties expressed concern about certain aspects of the report, especially the substantial and continuous increase noted in the prices charged for exports from the Community since the beginning of 1954. Accordingly, the working party devoted much of its time to a consideration of the Community's export prices and the effects of its export-price policy on the interests of nonmembers of the Community. The working party had before it—besides information supplied in the report, in supplementary statements by the Community and the Executive Secretary of GATT, and in discussions during the examination —data made available by the High Authority in response to a request by Denmark. It examined these data in an effort to determine whether export prices set by the Community had remained within equitable limits as prescribed by the preamble to the waiver granted to the Community by the Contracting Parties.

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

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

[22] For a discussion of the two previous reports of the Community, see *Operation of the Trade Agreements Program* (seventh report), pp. 65–69, and *Operation of the Trade Agreements Program* (eighth report), pp. 64–67.

In its report, the working party noted that, because of insufficient information, it had not been able to decide whether prices had remained within equitable limits. The working party stated, however, that the data established that there had been a substantial and continuous increase in the export prices charged by the Community since the beginning of 1954. Some members of the working party, the report noted, did not believe the increase had been justified by market trends or by increases in costs of production. The observer for the High Authority of the Community, however, stated that the recent increase in export prices was entirely attributable to normal factors. Faced with such disagreement, and lacking the information necessary for resolving it, the working party stated that it "felt, as it did last year, that the existence of an export cartel in the Community . . . in a position to exercise a considerable influence on the formation of prices on export markets led to the feeling that consuming countries were deprived to a certain extent of the advantages which would result from free competition among the national producers of the Community countries." [23] The working party suggested that the Contracting Parties recommend that the High Authority note carefully the remarks of the members of the working party, and consider whether measures could be developed to give clearer assurance to third countries that their consumers would benefit from improvements in the conditions of production in the Community.

In its examination of other aspects of the report, the working party found that measures taken by the Community toward the establishment of the common market were consistent with the terms of the waiver; that no new measures had been taken to restrict imports from third countries; and that no substantial change had taken place in the import duties on products regulated by the Community. The working party noted with satisfaction the Community's actions to eliminate subsidies and other forms of assistance currently granted to certain producers. It viewed with concern, however, the almost complete cessation of exports of scrap iron to third countries during 1955—a development that particularly affected Austria and Sweden, which traditionally rely on the member states of the Community for their supplies of scrap. The representative of the High Authority acknowledged the undesirability of this situation, and indicated that the Community was instituting a system of equalization payments that would encourage the use of pig iron by the member countries in place of scrap, and thus reduce the pressure on the market for scrap. According to the representative of the High Authority, the report noted, the scrap shortage had resulted from higher consumption requirements of the member countries which, in turn, resulted from a growing market for steel.

In conclusion, the report of the working party stated its belief that examination of the third annual report of the European Coal and Steel Community

[23] Contracting Parties to GATT, *Basic Instruments* . . ., Fourth Supplement, p. 94.

had led to a better understanding of the problems and difficulties of all concerned.

Italy's special customs treatment of Libyan products (third annual report) (art. I)

At their Sixth Session in 1951, the Contracting Parties granted Italy a waiver of its most-favored-nation obligations under article I of the General Agreement. The waiver, which permitted Italy to accord—for a period of 1 year—duty-free entry to a specified list of products of which Libya is its principal foreign supplier, was intended to facilitate the development of Libya's economy during the country's transition to an independent state. At their Seventh Session in 1952, the Contracting Parties, at Italy's request, extended the waiver until December 31, 1955, and requested annual reports by Italy on the development of Italian-Libyan trade and by Libya on that country's economic progress.[24]

At the 10th Session, Italy and Libya presented their third annual reports on the operation of the waiver. Libya also requested that the special customs treatment sanctioned by the waiver be allowed to continue, since it would be some time before the competitive position of Libyan products could equal that of products of the more developed countries. In addition, it requested certain modifications in the list of products accorded preferential treatment. Italy concurred in Libya's requests.

After considering the Italian and Libyan reports and other supplemental information, a working party reported to the Contracting Parties that there had been a gratifying expansion of Libyan exports to Italy and to other countries, and that the members of the working party were agreeable to the request for extension of the waiver. The Contracting Parties accordingly extended the waiver until December 31, 1958, and approved the requested changes in the list of products accorded preferential treatment. Although the representative of Cuba did not vote against the extension of the waiver, he expressed his country's dissatisfaction with it and with the growing use of waivers for such purposes.

Nicaragua-El Salvador free-trade area (fourth annual report) (arts. I and XXIV)

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

[24] See *Operation of the Trade Agreements Program* (seventh report), pp. 31–32, and *Operation of the Trade Agreements Program* (eighth report), pp. 33–34.

In its report to the Contracting Parties at the 10th Session,[25] Nicaragua noted that—as in previous years—Nicaragua and El Salvador were satisfied with the development of trade under the free-trade treaty. The report stated that, in the period under review, Nicaraguan treaty imports from El Salvador accounted for 84.75 percent of total imports from that country, but only 2.27 percent of total imports by Nicaragua from all sources. Treaty exports in 1954 accounted for 2.9 percent of Nicaragua's total exports to all countries. The value of Nicaraguan treaty imports, the report noted, had increased from $390,000 in 1953 to 1.3 million dollars in 1954. Nicaraguan treaty exports were valued at 1.2 million dollars in 1953, compared with 1.8 million dollars in 1954. In accordance with a request by the Contracting Parties at their Ninth Session in 1954–55, the report also contained a statistical analysis of the trade between Nicaragua and El Salvador.

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

At their Eighth Session in 1953, the Contracting Parties granted the United Kingdom a waiver of its obligations under the provisions of article I of the General Agreement, which prohibit increases in margins of preference. The waiver permitted the United Kingdom to alter margins of preference accorded to Commonwealth countries by increasing rates of duty on imports of unbound items from non-Commonwealth countries without imposing comparable duties on those items when imported from Commonwealth countries. The waiver applied only to items on which no concessions were in effect under the General Agreement at the time it was granted.

At the Ninth Session of the Contracting Parties in 1954–55, the United Kingdom requested, and was granted, an amendment to the waiver permitting it to increase margins of preference on items on which concessions were in effect under the General Agreement at the time the waiver was approved, but from which the concessions had subsequently been removed or modified consistently with the agreement. In requesting an amendment to the waiver, the United Kingdom stated—as it had when it requested the original waiver—that it desired to accord itself greater protection only in a limited number of instances where the need for tariff protection had been demonstrated, and that it did not intend to use the waiver to divert trade to the Commonwealth.[26]

At the 10th Session, the United Kingdom submitted its second annual report on the action it had taken under the margin-of-preference waiver. The report noted that, since the submission of its first report in October

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

[26] See *Operation of the Trade Agreements Program* (seventh report), pp. 27–30, and *Operation of the Trade Agreements Program* (eighth report), pp. 30–32.

1954, the United Kingdom had invoked the waiver with respect to a change in the unbound rate of duty on certain flowers and plants in flower, and with respect to an increase in the unbound rate of duty on wood wool. Belgium, France, and the Netherlands had been notified of the United Kingdom's intention to invoke the waiver with respect to flowers and plants in flower, the report stated, but none of these countries had requested consultations with the United Kingdom. The report also noted that, with reference to wood wool, the United Kingdom had held discussions with the Netherlands, Norway, and Sweden, after which it was agreed that the waiver would apply. At the plenary discussion of the report, however, the Norwegian representative noted that although the United Kingdom's report was correct, he did not wish it understood from the reference to discussion and agreement that Norway was pleased with the increase in the rate of duty on wood wool.

Special problems of dependent overseas territories of the United Kingdom (first annual report)

During the Ninth Session in 1954–55, the United Kingdom submitted to the Contracting Parties an amendment to the General Agreement that proposed to broaden the scope of action that a contracting party might take under the agreement in assisting in the economic development of its dependent territories. The United Kingdom desired such an amendment because it believed its social and political responsibilities to dependent territories could not otherwise be fulfilled under the provisions of the General Agreement. The Contracting Parties did not favor the proposed amendment, however, because of its broad scope and because its adoption would be tantamount to recognizing as permanent a problem they regarded as transitional. They decided, instead, to waive certain of the United Kingdom's obligations under the agreement, in order to permit the United Kingdom to accord to its dependent territories treatment commensurate with its responsibilities as it recognized them.[27]

The United Kingdom's first annual report, under the terms of its dependent overseas territories waiver, was submitted to the Contracting Parties at their 10th Session. The report stated that, as of October 24, 1955, the United Kingdom had taken no action under the waiver. At the plenary discussion of the report the Brazilian representative stated that, with so many waivers, and annual reports thereunder, it was essential for their proper consideration that some commentary be provided to indicate the actual impact of the waivers on channels and terms of trade. He proposed, therefore, that all reports on waivers be accompanied by comments by the GATT Secretariat on the actual consequences of the actions taken,

[27] A more detailed discussion of the United Kingdom dependent overseas territories will be found in *Operation of the Trade Agreements Program* (eighth report), pp. 76–78. For the text of the waiver, see Contracting Parties to GATT, *Basic Instruments . . .*, Third Supplement, pp. 21–25.

in the light of the objectives of the General Agreement. In response to the Brazilian delegate's proposal, the Chairman of the Contracting Parties requested countries that had been granted waivers to append relevant statistical material to their reports. He also stated that the GATT Secretariat would consider in what way it could supplement the various reports.

United States restrictions on imports of agricultural products (first annual report) (art. XI)

Article XI of the General Agreement prohibits a contracting party from imposing nontariff restrictions on its imports from other contracting parties. This article has been particularly significant to the United States, since the United States maintains governmental programs with respect to several agricultural products, and, on various occasions, has found it necessary to restrict imports of such products in order to carry out domestic programs for them. The United States use of the agricultural exception has been of considerable concern to those countries that export agricultural products to the United States and that have granted tariff concessions to the United States in return for concessions granted by the United States on agricultural products.

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

To the extent that these programs have had the effect of maintaining domestic price levels for agricultural products above the duty-paid, laid-down prices of comparable imports, they have tended to stimulate a greater quantity of imports than would have prevailed had there been no domestic program. Such artificially stimulated imports tend to increase the cost of relevant programs. To provide for such contingencies, section 22 of the United States Agricultural Adjustment Act, as amended, authorizes the President to restrict the importation of commodities, by the imposition either of fees or quotas (within specified limits) if such importation tends to render ineffective or materially interfere with programs of the United States Department of Agriculture relating to agricultural commodities. Section 22, as amended by the Trade Agreements Extension Act of 1951, specifically provides that no trade or other international agreement entered into by the United States may be applied in a manner inconsistent with the requirements of section 22. To resolve the differences between its domestic legislation and the provisions of the General Agreement, the United States, at the Ninth Session of the Contracting Parties in 1954–55, requested a waiver of its commitments under the agreement, insofar as such commitments might be regarded as inconsistent with action it is required to take under section 22.[28] The waiver that the Contracting Parties granted to the United States at the Ninth Session, besides establishing certain rules of procedure and certain conditions as to consultation, required the United States to report annually on its actions under the waiver.

At the 10th Session of the Contracting Parties, the United States presented its first annual report under the waiver. The report presented an explanation of the action the United States had taken respecting each of the commodities under control during the period covered by the report. Besides presenting, for each commodity, data on domestic production and consumption, and on imports and exports, the report described the quotas in effect during 1955–56, the need for continuing the quotas, and the steps that had been taken toward resolving the problem of commodity surpluses. The report noted that since the waiver was granted, the United States had imposed no new restrictions on imports and had intensified none of the existing ones. The United States had, in fact, permitted its import controls on oats, barley, almonds, and filberts to lapse. Import controls remained in effect on cotton, wheat, dairy products, rye and its products, and peanuts. However, as a result of changed circumstances, the President had suspended the quota on peanuts for the quota year ending July 31, 1955. Special import fees applied to flaxseed, linseed oil, and peanut oil.

During the plenary discussion of the United States report by the Contracting Parties, the United States delegate stated that the report made clear that the United States is engaged in a serious attack on the basic causes of the surplus problem. Although the problem continues to be a serious one, he stated, it now seems more manageable than it did, and, by and large, current production and current demand have been balanced. Representatives of other countries, however, expressed concern about various aspects of the United States price-support program that affect the export industries of their countries. For example, the Danish delegate expressed disappointment that United States import quotas for butter, cheese, and dried-milk products had not been liberalized. The representative of Italy regretted that the United States had not been able to report improvment with respect to its treatment of imports of cheeses.

Because of the importance they attached to the United States waiver, the Contracting Parties referred the report to a working party that examined it in considerable detail, devoting special attention to the sections on cotton, wheat, and dairy products. The report of the working party suggested that it would be helpful if, in future reports under the waiver, the United States would furnish additional information on trends of production and consumption in the United States and on Commodity Credit Corporation purchases and stocks of products subject to restrictions. It also suggested that more

[28] See *Operation of the Trade Agreements Program* (eighth report), pp. 43–47.

information on changes in the United States agricultural pattern—particularly with respect to commodities involved in the waiver—would be helpful. The report of the working party also evidenced concern on the part of many contracting parties as to whether the United States could not more effectively deal with the fundamental causes of accumulation of surplus stocks, and indicated that the United States representative had given assurances that the United States intended to continue to seek a solution of the surplus problem. After a discussion of the report of the working party in plenary session, the Contracting Parties accepted the report of the United States.

Releases From Obligations Considered at the 10th Session

Article XVIII of the General Agreement permits contracting parties to employ nontariff protective measures for purposes of economic development or reconstruction, provided the proposed measures meet the criteria established for them under the agreement.[29] The article specifies, among other things, that the measures must be nondiscriminatory, and must (1) be for the purpose of promoting an industry processing an indigenous primary commodity, external sales of which had been reduced by increased foreign production, or (2) be necessary for the development of resources that would otherwise be wasted and that, if conserved, would in the long run be beneficial to the applicant country. The measures must not be more restrictive than other practicable measures that would be permitted under the General Agreement. Permission to apply such measures may involve a release from a negotiated commitment, a release from other obligations under the General Agreement, or both. A contracting party desiring to initiate action under this article is obligated to notify the Contracting Parties of the action that is proposed, so that other contracting parties may have the opportunity to indicate whether their interests would be adversely affected by that action. Approval of the proposed measure by the Contracting Parties is mandatory if the measure meets the standards outlined above. At their 10th Session, the Contracting Parties considered applications by Ceylon and Haiti for releases under article XVIII of the General Agreement.

Request by Ceylon for releases on ceramic ware and petroleum products (art. XVIII)

At the 10th Session, Ceylon requested permission to limit imports of 2 items of ceramic ware by applying to such imports—for a period of 5 years—the provisions of its Industrial Products Act No. 18 of 1949. Under this act an importer may be required to purchase a specified quantity of a domestic product in order to obtain a license to import a specified quantity of a "regulated" product. Ceylon pointed out that—if the release were granted—imports of ceramic ware would be limited only in instances where

[29] See Contracting Parties to GATT, *Basic Instruments . . .*, vol. 1, *Text of the Agreement and Other Instruments and Procedures,* Sales No.: GATT/1952–3, Geneva, 1952, pp. 41–46.

there was local production of similar goods of a like quality, and the limitation would affect only goods that competed directly with a local product. Such limitations, Ceylon stated, were essential for the development of a new factory that had been established to produce ceramic ware.

At the 10th Session Ceylon also requested permission to impose—for a period of 10 years—quantitative import restrictions on motor fuel and certain other petroleum products in order to assist in the establishment and development of a domestic petroleum refinery. Ceylon pointed out that, if approved, the restrictions would become effective only if import competition prevented the marketing of domestically refined products. Moreover, it was not certain that the restrictions would ever have to be applied, since the refinery was expected to compete successfully with normal imports. Nevertheless, Ceylon noted that, to induce the investment of foreign capital sufficient to establish the domestic refinery, it was essential to assure foreign investors that import restrictions would be applied if necessary.

Ceylon's requests for releases on ceramic ware and petroleum products were examined by a working party, which found them to be consistent with the provisions of article XVIII. Accordingly, the Contracting Parties granted both releases, subject to certain technical provisions.

Request by Haiti for release on tobacco (art. XVIII)

At the 10th Session of the Contracting Parties, Haiti requested a renewal of a release granted to Haiti by the Contracting Parties in November 1950 respecting a measure that established a state monopoly for the purchase and production of, and the trade in, virtually all tobacco products. The release permitted Haiti, for a period of 5 years, to regulate the importation of leaf tobacco, cigars, and cigarettes by requiring importers to obtain licenses for the importation of such products. At the 10th Session, the representative of Haiti stated that—although Haiti was requesting a renewal of the release—it believed that the measure concerned did not contravene the terms of the General Agreement and that the original release had, in fact, been unnecessary. If that belief was correct, a renewal of the release would be unnecessary. The Contracting Parties established a working party to examine the matter with the representative of Haiti. The working party reported that it found nothing in the Haitian measures that would require a release under article XVIII. As a result of this report, Haiti withdrew its request for a renewal of the 1950 release.

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

Articles XI through XV of the General Agreement constitute a unit in that they deal with the problem of the use of quantitative restrictions on imports in trade between contracting parties. Article XI prohibits contracting parties from imposing nontariff restrictions—such as import restrictions, quotas, licensing systems, or other quantitative control measures—on their imports from other contracting parties. Article XII, however, permits certain exceptions to this general rule for those contracting parties that are faced with balance-of-payments difficulties. Article XIII sets forth the general rule that any quantitative restriction applied pursuant to the provisions of the agreement must be nondiscriminatory in nature, but article XIV permits certain exceptions to this rule of nondiscrimination for those countries faced with balance-of-payments difficulties that are regarded as transitional in character. Article XV recognizes the interrelationship—in balance-of-payments problems—of quantitative restrictions on imports that are within the jurisdiction of the Contracting Parties and of exchange problems that are within the jurisdiction of the International Monetary Fund, by providing for consultation between the two organizations and by delineating the sphere of action of each in balance-of-payments problems.

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

Consultations during 1955 *(art. XIV)*

During 1955, five countries—Australia, Ceylon, New Zealand, the Federation of Rhodesia and Nyasaland, and the United Kingdom—completed consultations with the Contracting Parties on their continued deviation from the rule of nondiscrimination in the application of quantitative restrictions on imports for balance-of-payments reasons. In conjunction with its consultation under article XIV, Australia consulted also regarding its substantial intensification of import restrictions in October 1955; this intensification was necessary, the Australian delegate stated, because of signs of inflationary pressure and a continuing unsatisfactory balance-of-payments position. Pursuant to article XV, the International Monetary Fund participated in these consultations. In each instance the Fund made information and background material available to the consulting parties.

Having in mind the difficulties that had been encountered at earlier sessions, the working party appointed to conduct the balance-of-payments consultations at the 10th Session established a procedure [30] to guide the

[30] For details of this procedure, see Contracting Parties to GATT, *Basic Instruments . . .*, Fourth Supplement, pp. 44–46.

consulting countries in an organized and orderly presentation of the information desired. Because the working party and the Contracting Parties regarded the procedure as a success, it probably will be employed in the future.

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

The sixth annual report of the Contracting Parties on the discriminatory application of import restrictions was devoted primarily to an examination of the general trends in the field of discriminatory restrictions during the first 10 months of 1955. The report indicated that, of the 35 contracting parties to the General Agreement, the following 23 continued to maintain discriminatory restrictions on imports to safeguard their balance-of-payments positions: Australia, Austria, Brazil, Burma, Ceylon, Chile, Denmark, Finland, France, the Federal Republic of Germany, Greece, India, Italy, Japan, the Netherlands, New Zealand, Norway, Pakistan, the Federation of Rhodesia and Nyasaland, Sweden, Turkey, the United Kingdom, and Uruguay. Two contracting parties—Indonesia and the Union of South Africa—were not resorting to discriminatory restrictions under the provisions of article XIV. The following 10 contracting parties maintained no restrictions on imports for balance-of-payments reasons: Belgium, Canada, Cuba, Czechoslovakia, the Dominican Republic, Haiti, Luxembourg, Nicaragua, Peru, and the United States.

Recalling the improvement in the balance-of-payments positions of many countries during 1954, the report noted that in 1955 further progress had been made, but at a more gradual rate than in the preceding year. Gold and dollar holdings of nondollar countries continued to increase in 1955—although at a slower rate—and most of the important trading nations maintained the greater freedom they had introduced in their international transactions and the actions they had taken in reducing restrictions on imports from the dollar area. A number of countries—for example, Denmark, the Federal Republic of Germany, Sweden, and the United Kingdom—further relaxed their restrictions during 1955 by establishing or extending the lists of products on which licensing restrictions were no longer imposed.

Despite the more restrained use of restrictive measures during 1955, the Contracting Parties reported, a substantial part of world trade remained under licensing controls or quota restrictions, many of which were discriminatory. They noted a reluctance on the part of some countries to give up bilateral arrangements that tend to preserve conditions favorable to discrimination, even when no advantage is to be derived from continuing such arrangements. As in previous reports, the Contracting Parties urged contracting parties that are applying import restrictions or other restrictive measures for balance-of-payments reasons to minimize the protective effects of these restrictions on domestic industries, and they called attention to the fact that discriminatory restrictions in themselves cannot provide a satisfactory solution to balance-of-payments difficulties. At best, the Contracting

Parties stated, discriminatory restrictions may prevent a further deterioration in a country's reserve position, pending the adoption of fundamental corrective action.

TARIFFS AND TARIFF NEGOTIATIONS

1956 tariff-negotiating Conference

As a result of discussions at their Ninth Session in 1954–55, the Contracting Parties in 1955 established an intersessional working party to study the possibility of further reducing the level of tariffs. If its study indicated that such further reductions seemed feasible, the working party was to recommend the convening of a tariff-negotiating conference for that purpose.

The report of the working party, which was presented at the 10th Session of the Contracting Parties, recommended that a conference for the purpose of negotiating further tariff reductions be convened on January 18, 1956, at Geneva, Switzerland. The report also noted that the working party had considered fully the various methods of tariff reduction that might be employed at the conference, and that it preferred the employment of the multilateral procedures outlined in the so-called GATT plan.[31] However, both the United States and the United Kingdom had advised the working party that they were not in a position to undertake negotiations based on the GATT plan, and the working party, therefore, decided not to recommend such procedures. Because it felt that negotiations based on the rules followed in previous multilateral tariff negotiations would lead to unsatisfactory results, the working party considered two other plans, but found these also unacceptable. It decided, therefore, to recommend procedures—based on the revised article XXIX of the General Agreement[32]—that did not differ materially from those employed at Geneva in 1947, at Annecy in 1949, and at Torquay in 1950–51. After some discussion in plenary session, the Contracting Parties accepted the recommendations of the working party and scheduled a tariff-negotiating Conference to convene on January 18, 1956.

This tariff-negotiating Conference, the fourth sponsored by the Contracting Parties to the General Agreement on Tariffs and Trade, was held at Geneva from January 18 to May 23, 1956.[33] At the Conference the

[31] The GATT plan calls for each participating country to reduce average rates of duty prevailing in a base year—to be decided on after negotiation—by 30 percent. To achieve this objective, each country's imports would be divided into 10 categories of goods, and the average rate of duty for each category would be reduced 10 percent in each of 3 successive years. For countries with relatively low rates of duty, the reductions would be less than 30 percent.

[32] See Contracting Parties to GATT, *Basic Instruments . . .*, vol. 1 (rev.), *Texts of the General Agreement, as amended, and of the Agreement on the Organization for Trade Cooperation,* Sales No. GATT/1955–1, Geneva, 1955, pp. 53–54.

[33] Ch. 3 discusses the 1956 tariff-negotiating Conference and the concessions granted and obtained by the United States.

representatives of 22 countries—negotiating under rules and procedures substantially the same as those that governed the earlier tariff-negotiating Conferences—completed some 60 pairs of negotiations for the reduction or stabilization of tariff barriers affecting an import trade valued at about 2.5 billion United States dollars.

The objective of the Conference was to substantially reduce the general level of tariffs. At the beginning of the Conference, however, many of the contracting parties believed that such an objective was unrealistic. These countries felt that, in their earlier negotiations, the contracting parties had almost completely exhausted the possibilities of exchanging balanced mutual concessions, and that the failure to adopt a plan (such as the GATT plan) for an automatic reduction of tariffs deprived the negotiations of a great part of their chance of success. At the close of the Conference, however, the feeling prevailed that the negotiations had been somewhat more fruitful than had been expected. Many of the contracting parties, however, were of the opinion that negotiations under the old rules were no longer a satisfactory means of reducing tariffs.

An innovation at the 1956 Geneva Conference was the participation of the High Authority of the European Coal and Steel Community. The High Authority acted as agent for its six member states in tariff negotiations with third countries relating to certain iron and steel products. It also participated—although without a vote—in the ordinary and executive sessions of the Tariff Negotiations Committee established by the Contracting Parties to coordinate the negotiations and to deal with such matters as required joint action.

The Sixth Protocol of Supplementary Concessions, which embodied the results of the 1956 tariff-negotiating Conference, was opened for signature at Geneva on May 23, 1956, and was signed on that day by representatives of all the 22 countries that had taken part in the negotiations. The schedules of concessions were released simultaneously in the capitals of the various participating countries and at Geneva on June 7, 1956.

Modification of schedules (art. XXVIII)

During the period July 1955–June 1956, a number of contracting parties conducted renegotiations, under the provisions of article XXVIII of the General Agreement, of various tariff concessions they had granted at Geneva in 1947, at Annecy in 1949, or at Torquay in 1951.[34] Article XXVIII originally provided that, commencing with January 1, 1951, contracting parties might modify their schedules of concessions without joint action by the Contracting Parties. To prevent the "unraveling" of the tariff concessions in the General Agreement through the process of withdrawal and retaliation, the Contracting Parties have several times extended the date after which contracting parties might modify their schedules of concessions

[34] See ch. 3.

without first consulting the Contracting Parties. At the Torquay Conference in 1950–51, the Contracting Parties amended article XXVIII by postponing from January 1, 1951, to January 1, 1954, the date after which a contracting party might modify its concessions without joint action by the Contracting Parties. At their Eighth Session in 1953, the Contracting Parties extended the assured life of the tariff concessions until July 1, 1955, and at their Ninth Session in 1954–55 they further extended it until January 1, 1958. At the Ninth Session the Contracting Parties also established procedures whereby a contracting party might, before the extension of the assured life of the agreement became applicable to that contracting party, renegotiate individual concessions previously granted to other contracting parties. Contracting parties desiring to enter into such renegotiations were required to notify the Contracting Parties before June 30, 1955.

During 1955 the following 18 countries notified the Contracting Parties that they intended to withdraw or modify certain concessions that they had granted under the General Agreement: Austria, Belgium (for the Belgian Congo and Ruanda-Urundi), Canada, Ceylon, Cuba, the Dominican Republic, Finland, France, Greece, India, Italy, the Netherlands, New Zealand, Nicaragua, Pakistan, Peru, Sweden, and the Union of South Africa. Renegotiations between these countries, which were completed during the last half of 1955 and the first half of 1956, are discussed in chapter 3 of this report.

While the article XXVIII renegotiations were taking place, two countries —the Netherlands Antilles and Turkey—were undertaking negotiations under the "sympathetic consideration" procedure established by the Contracting Parties at their Eighth Session in 1953. These negotiations are discussed further in chapter 3 of this report.

Tariff of the Federation of Rhodesia and Nyasaland and supplementary trade agreements

On September 3, 1953, the self-governing territory of Southern Rhodesia and the protectorates of Northern Rhodesia and Nyasaland joined to form the Federation of Rhodesia and Nyasaland. Later in 1953 the Federation assumed responsibility for the external affairs of its territories. Subsequently it began to draw up a Federal tariff and to negotiate new trade agreements with the Union of South Africa [35] and with Australia. The adoption of these new arrangements on July 1, 1955, raised the question of their compatibility with the General Agreement on Tariffs and Trade, to which the Federation had become a contracting party on October 30, 1953. The Federation's new arrangements included new preferences and increases in margins of preference, both of which are prohibited by article I of the agreement.

At their 10th Session in 1955, the Contracting Parties appointed a working

[35] See *Operation of the Trade Agreements Program* (eighth report), pp. 63–64.

party to examine the question of reconciling the new Federal tariff and the new trade agreements with the General Agreement. The working party reported that the new tariff derives its nomenclature largely from the former tariffs of Southern Rhodesia and Northern Rhodesia. The duties in the new tariff are chiefly ad valorem, but, in some sections of the tariff, provision has been made for the application of ad valorem or specific duties, whichever are greater. The new tariff has four columns: Column A specifies the rates of duty for nations that are not accorded most-favored-nation treatment; column B specifies most-favored-nation rates of duty, including rates of duty bound under schedules of the General Agreement; and columns C and D set forth preferential rates. The rates specified in column C apply to imports from self-governing Commonwealth countries that are accorded preferential treatment and to all imports into the area known as the Congo Basin, or conventional area.[36] Rates of duty specified in column D apply to imports from the United Kingdom and to most imports from its colonies. Typical rates in the new tariff are 5 percent and 20 percent ad valorem. Rates of 22 or 25 percent apply to some important items, and there are a few rates of 30 percent or more.

As to the compatibility of the new tariff with the General Agreement, the working party stated that (1) adoption of the new tariff was both necessary for the economic success of the Federation and consistent with the objectives of the General Agreement; (2) the general incidence of the new tariff is not higher than that of the tariffs previously applied in the constituent territories; (3) there has been an average decrease in margins of preference, but the consolidation and modernization of the tariffs of the three territories have made increases in certain margins of preference—as compared with the margins existing in one or more of the territories on the appropriate base date—difficult to avoid.

As to the new trade agreements with the Union of South Africa and Australia, the working party's report pointed out that the nonconventional area of the Federation has had trade and tariff preferential arrangements with South Africa for many years. In 1905 the nonconventional area of Northern Rhodesia concluded a trade agreement with South Africa embracing the principle of free interchange of domestic products between the two countries, and it has since obtained free entry into South Africa for nearly all its products and has enjoyed substantial preferences on the few excepted products. Similarly, Southern Rhodesia and the Union of South Africa have for years been parties to agreements embracing the principle of free

[36] For customs purposes, the Federation of Rhodesia and Nyasaland is divided into two parts: The Congo Basin area, or the conventional area, and the rest of the Federation, known as the nonconventional area. The conventional area, comprising all of Nyasaland and the northeastern part of Northern Rhodesia, is subject to a special customs regime calling for commercial equality for imports from all nations. This regime dates from the conclusion of the Congo Basin Treaties in 1885.

interchange of goods. From 1903 until 1935 Southern Rhodesian products —with minor exceptions—were accorded free entry into South Africa, and from 1935 until 1949 South Africa accorded substantial preferences to Southern Rhodesian goods. In 1949 the two countries concluded an interim customs union agreement under which South Africa accorded free entry to almost all products imported from Southern Rhodesia. The report of the working party also noted that Australia has had limited preferential tariff arrangements with the territories comprising the Federation, under which it has accorded a preference to Southern Rhodesia on tobacco leaf and preferences on some 50 items to Northern Rhodesia and Nyasaland. Compared with these previous arrangements, the working party's report pointed out, the new trade agreements provided for more eliminations of preferences and reductions in them than for increases or extensions.

On the basis of the working party's report, the Contracting Parties concluded that the actions of the three countries involved—Australia, the Federation of Rhodesia and Nyasaland, and the Union of South Africa—fully conformed with the spirit and objectives of the General Agreement. Accordingly they decided, pursuant to article XXV (waiver of obligations), that the provisions of article I of the General Agreement shall not prevent the application of the preferences established by the Federation's tariff of July 1, 1955, as modified by its trade agreements with South Africa and with Australia, or the preferences established by South Africa and by Australia in their trade agreements with the Federation. The Contracting Parties also decided that the provisions of article I shall not prevent completion of the process of adjustment in the new arrangements, provided this process is completed by July 1, 1958, with respect to the tariff, and by the expiration of the initial life of the agreements, with respect to the trade agreements. The decision of the Contracting Parties sets forth certain requirements as to the adjustment of tariff preferences. It also provides that complaints arising out of the operation of the new tariff arrangements of the Federation of Rhodesia and Nyasaland may be brought before the Contracting Parties under the provisions of article XXIII of the General Agreement (nullification or impairment of benefits).[37]

Franco-Tunisian Customs Union

At the Ninth Session of the Contracting Parties in 1954–55, France announced that, under the provisions of article XXIV of the General Agreement, it intended to create a customs community—in the form of a customs union—for the French franc area. Article XXIV provides that a contracting party may form a customs union, a free-trade area, or enter into an interim agreement preparatory to forming such a union or area, if the customs duties and regulations imposed at the institution of the union or

[37] For the complete text of the decision, see Contracting Parties to GATT, *Basic Instruments . . .*, Fourth Supplement, pp. 17–20.

free-trade area, or in the interim agreement, are not higher or more restrictive than the general incidence of the duties and regulations that prevailed in the constituent territories of the union, or area, before its formation.

At the 10th Session of the Contracting Parties, France reported that in June 1955 it had concluded an economic and financial convention providing for the establishment of a Franco-Tunisian customs union. France noted that this union—which was to be developed within the framework of the French-franc-area customs community—would be substantially complete on January 1, 1956. At that time, customs duties and other restrictive regulations applicable to Franco-Tunisian trade would be almost completely eliminated, and the same customs tariff would be applied by both countries. As soon as possible, France stated, it would transmit to the Contracting Parties the customs tariff of the Franco-Tunisian Union so that the Contracting Parties might determine whether the new customs system conformed to the requirements of the General Agreement.[38]

On January 1, 1956, the Franco-Tunisian Customs Union was substantially complete. Quotas had been abolished on most of the products entering into Franco-Tunisian trade and, in its relations with third countries, Tunisia applied—with certain exceptions—the French customs tariff.

OTHER DEVELOPMENTS RELATING TO THE AGREEMENT

Application of article XXXV in the accession of Japan

In 1952 Japan notified the Contracting Parties that, in accordance with the procedure for negotiating with nonmember countries, it desired to negotiate for accession to the General Agreement. Japan's notification resulted in an extended discussion among the contracting parties, many of whom doubted that the General Agreement provided sufficient safeguards to prevent a sudden flooding of certain markets with Japanese goods and a consequent disruption of established channels of trade. This concern on the part of many countries, coupled with the difficulty of scheduling a tariff conference, prevented immediate action on Japan's request for accession.

At their Eighth Session in 1953, the Contracting Parties approved Japan's "provisional" participation in the agreement. Under the terms of a declaration regulating commercial relations between Japan and the signatory contracting parties, Japan agreed to be governed by the general provisions of the General Agreement, and it bound at the existing level most of the rates of duty in its own tariff. Japan was permitted to take part in the sessions of the Contracting Parties, but without the right to vote. Negotiations for Japan's full accession to the General Agreement began in February

[38] This matter has been placed on the agenda for the 11th Session of the Contracting Parties.

1955 and were concluded in June of that year. Japan became a contracting party to the agreement on September 10, 1955.[39]

Although the Contracting Parties approved the terms of Japan's accession unanimously, 14 contracting parties believed it would not be to their advantage to apply the provisions of the General Agreement to that country, and therefore did not negotiate tariff concessions with Japan. Those contracting parties invoked the provisions of article XXXV of the agreement, which permits a contracting party to refrain from applying the agreement to an acceding country with which it has not entered into tariff negotiations. Such a widespread invocation of article XXXV was of serious concern to Japan, because more than 40 percent of Japan's trade with GATT countries was with those 14 countries. Japan, therefore, requested that the matter be placed on the agenda for the 10th Session of the Contracting Parties.

At the plenary discussion of the problem, Japan noted that, in applying for accession, it had not foreseen the situation that had developed with respect to article XXXV, and that it was not quite clear as to the nature of the difficulties envisaged by the contracting parties that had invoked the provisions of that article. Japan stated that, since the war, the structure of Japanese industry has changed, and that the Japanese Government would be vigilant in its efforts to prevent Japanese products from causing violent disruptions of trade.

In general, the contracting parties that had invoked article XXXV expressed the view that the General Agreement does not contain satisfactory safeguards against competition from Japanese goods. France, the most outspoken critic of Japanese competition during the discussion, stated that Japan's comparatively low standard of living, together with its high degree of technical development, made its competition formidable. France believed that the solution to the problem was action on an international level to help Japan raise its standard of living. France did not believe, however, that the General Agreement was sufficiently broad to permit such a solution. Most of the contracting parties expressed the belief that the most satisfactory way to resolve the matter was to continue bilateral consultations between Japan and the contracting parties involved. The Contracting Parties decided to follow this plan. They directed the Intersessional Committee to keep the problem under consideration, and agreed, if necessary, to reconsider it at their 11th Session.

Resolutions of the International Chamber of Commerce

In June 1951 the International Chamber of Commerce adopted certain resolutions relating to the reduction of trade barriers. The resolutions dealt with customs treatment of commercial samples and advertising materials,

[39] For a detailed discussion of Japan's accession to the General Agreement, see *Operation of the Trade Agreements Program* reports as follows: Sixth report, pp. 51–54; seventh report, pp. 75–79; and eighth report, pp. 71–72.

documentary requirements for the importation of goods, consular formalities, valuation of goods for customs purposes, the nationality of imported goods, and formalities connected with the administration of quantitative restrictions on imports.[40]

These resolutions were considered by a working party at the Sixth Session of the Contracting Parties in 1951, and at the Seventh Session in 1952. As a result of the working party's report, the Contracting Parties adopted the text of a draft convention for the importation of samples and advertising material, a code of standard practices relating to documentary requirements for the importation of goods, a code of standard practices relating to consular formalities, and a resolution regarding the application of import- and export-licensing restrictions as they apply to existing contracts. The Contracting Parties also recommended that the requirement of consular invoices and consular visas be abolished by December 31, 1956, and requested that individual contracting parties report each year to the Contracting Parties on the steps they have taken toward that end.[41]

At their Eighth Session in 1953 and their Ninth Session in 1954–55, the Contracting Parties continued discussions on the valuation of goods for customs purposes, on the nationality of imported goods, and on practices relating to consular formalities. They also made recommendations with respect to the convention on the importation of samples and advertising material, which they had adopted at the Seventh Session, and with respect to proof of origin in the determination of the nationality of imported goods.[42] At the 10th Session, the Contracting Parties continued their discussions on the nationality of imported goods. They also considered two interpretative questions submitted to them by the Customs Cooperation Council, respecting the convention on importation of samples and advertising material, [43] and reviewed the progress that the contracting parties had made in abolishing consular invoices and consular visas. Each of these matters was placed on the agenda for consideration at the 11th Session of the Contracting Parties in 1956.

At their 10th Session, the Contracting Parties also considered two resolutions—pertaining to certificates of origin and marks of origin—that were adopted by the International Chamber of Commerce in May 1955 and submitted to the Contracting Parties in October of that year. With respect to certificates of origin, the Chamber had proposed a minor rewording of an

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

[41] See *Operation of the Trade Agreements Program* (seventh report), pp. 89–94.

[42] See *Operation of the Trade Agreements Program* (seventh report), pp. 90–92; and (eighth report), pp. 79–81.

[43] This convention entered into force on November 20, 1955, after its acceptance by 15 contracting parties. The United States has not yet adopted the convention.

earlier recommendation of the Contracting Parties relating to proof of origin in determining the nationality of imported goods. With respect to marks of origin, the Chamber had proposed a set of guiding principles for an international arrangement that would guard against their misuse. The principles suggested would govern the nature of marks of origin, the time of their affixing, the exemptions from their use, the penalties for failure to properly employ them, and the entry into force of marking regulations. The Contracting Parties did not study these resolutions in detail at their 10th Session, but agreed to do so at the 11th Session. In the meantime, the Secretariat agreed to assemble, from contracting parties to the General Agreement, information on marks of origin for use in such a study.

Discrimination in transport insurance

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

At their Eighth Session in 1953, the Contracting Parties noted the problem of discrimination in transport insurance, and directed their Executive Secretary to prepare a report on the issues involved.[44] The report was considered by the Contracting Parties at their Ninth Session, and the subject was retained on the agenda for further consideration at the next regular session.

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

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

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

The Interim Coordinating Committee for International Commodity Arrangements (ICCICA) was established in 1947 pursuant to a resolution of the United Nations Economic and Social Council. Its activities consist principally of preparing yearly statements regarding intergovernmental collaboration in the field of commodity problems. In some instances, however, the Committee advises the Secretary-General of the United Nations on specific problems in the field of intergovernmental commodity collaboration. The Committee consists of a chairman nominated by the Contracting Parties to the General Agreement, a representative of the Food and Agriculture Organization, and two other members. The term of office of the chairman is determined by the Contracting Parties to the General Agreement; the term of office of the other three members is indefinite. At their 10th Session, the Contracting Parties unanimously nominated Sir Claude Corea, of Ceylon, to be chairman of the Committee for a period of 1 year. Sir Claude replaces Sir Edgar Cohen, of the United Kingdom, who was nominated as chairman in 1953.

Proposed agreement on commodity arrangements

At their Ninth Session in 1954–55, the Contracting Parties established a working party to consider proposals for intergovernmental action to settle problems arising in the field of international trade in primary commodities.[45] With its report to the Contracting Parties, the working party submitted a draft agreement intended to facilitate the preparation and conclusion of intergovernmental commodity agreements. The Contracting Parties discussed the report and the draft agreement, and, as a result of the discussion, revised the draft agreement.

At their 10th Session, the Contracting Parties discussed at length the revised draft agreement on commodity arrangements. The discussion settled some points of disagreement; several of the contracting parties, however, were not able to agree on certain of its provisions, and four contracting parties reserved their position on the agreement as a whole. Toward the close of the 10th Session, the Contracting Parties recommended that the countries concerned continue their efforts to reconcile their differences respecting the agreement. They also authorized the Intersessional Committee—should it appear that agreement could be reached—to establish a committee to prepare a final draft agreement for consideration by the Contracting Parties at their 11th Session.

Disposal of surplus agricultural products

To prevent the disposal of surplus agricultural commodities from unduly

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

disturbing world markets, the Contracting Parties—at their Ninth Session in 1954–55—adopted a resolution urging contracting parties that are preparing to dispose of such surplus stocks to consult with the principal suppliers of the commodities, and with any other interested parties.

During their 10th Session—at the request of Australia—the Contracting Parties discussed the disposal of surplus agricultural products in world trade since the adoption of the resolution. The discussion made it clear that disposal of surplus agricultural commodities, and the consultation procedures relating to such disposal, are of serious and continuing concern to many contracting parties. Respecting the efficacy of the resolution in preventing disruptions of international trade, a number of countries indicated that they believed that consultations conducted under the resolution had contributed to the more orderly disposal of surpluses. Most countries, however, believed that the consultations had not been greatly effective. A few countries stated that insufficient time had elapsed to permit an adequate assessment of the success of consultations under the resolution. The Contracting Parties therefore agreed to give further consideration to the subject of surplus disposals at their 11th Session.

Norwegian proposal for study of antidumping- and countervailing-duty legislation

During the review of the General Agreement at the Ninth Session of the Contracting Parties in 1954–55, Norway proposed that the agreement be amended to direct the Organization for Trade Cooperation to work toward the standardization of rules governing the imposition of antidumping and countervailing duties. The proposed amendment was not adopted. However, the Contracting Parties indicated that the agreement on the Organization for Trade Cooperation permitted that Organization to undertake the study of procedures relating to antidumping and countervailing duties and to make appropriate recommendations thereon.

At the 10th Session of the Contracting Parties, Norway noted that, as a result of increasing international competition, the problem of antidumping and countervailing duties had become more pressing. Inasmuch as the Agreement on the Organization for Trade Cooperation would not become effective during the 10th Session, Norway suggested that the Contracting Parties institute a survey of the problems resulting from the lack of standard procedures for levying antidumping and countervailing duties. To this end, Norway proposed that contracting parties be requested to submit—before the 11th Session—the texts of their national laws and regulations respecting antidumping and countervailing duties. In conjunction with Norway's proposal, Sweden suggested that the contracting parties be asked to comment on their experience with such laws in their own country and in other countries.

The Contracting Parties approved the Norwegian and Swedish proposals, and directed the Executive Secretary to request the contracting parties to provide the information desired, for consideration at the 11th Session. The request was transmitted to the contracting parties in March 1956.

Training program for government officials of contracting parties to the General Agreement

At the Ninth Session of the Contracting Parties in 1954–55, Chile proposed a program to familiarize young government officials of the contracting parties to the General Agreement with the problems dealt with by the GATT Secretariat in administering the agreement. The proposal was referred to the Executive Secretary for a study of its financial and administrative aspects.

At the 10th Session, the Executive Secretary reported to the Contracting Parties that arrangements could be made to establish a modest training program for university-trained men and women. The persons selected for training would be permanent government officials of contracting parties to the General Agreement that were eligible to receive technical assistance under the United Nations technical assistance program. The Secretary envisaged a program consisting of two courses. One course would begin early in 1956 and the other, later in the year. Each course would be of 6 months' duration, and each would acquaint the trainee with practical procedures appropriate for dealing with such commercial and economic problems as might confront him during his career with his own government. The cost of the program, the Executive Secretary noted, would be shared by the United Nations Technical Assistance Administration and the government of the official undergoing the training. The GATT Secretariat would conduct the program.

The Contracting Parties tentatively approved the program, and authorized the Executive Secretary to place it in effect on an experimental basis. They directed the Executive Secretary to prepare a report on the operation of the program, and authorized the Intersessional Committee to evaluate the report to determine whether the program was of sufficient value to be continued.[46] The program was placed in operation in January 1956; 4 trainees, officials of Chile, Greece, Haiti, and India, participated in the first course. In July 1956, 5 trainees—officials of Ceylon, Cuba, Indonesia, Pakistan, and Turkey—participated in the second course.

STATUS AND ADMINISTRATION OF THE AGREEMENT

Resolution of March 7, 1955, respecting definitive application of the General Agreement

Article XXVI of the General Agreement provides that the agreement shall enter into force when it has been accepted by contracting parties that account for 85 percent of the total foreign trade of all contracting parties

[46] In his report to the Intersessional Committee, submitted in August 1956, the Executive Secretary stated that the program appeared to be a success, and recommended that it be continued.

to the agreement. The General Agreement, however, has never entered into force under the provisions of article XXVI. It has been accepted pursuant to a protocol of provisional application, which requires that the signatories of that instrument apply parts I and III of the agreement fully, and part II of the agreement (which contains most of its trade rules) to the fullest extent not inconsistent with domestic legislation in effect on a specified date. Were the agreement to be accepted "definitively" by the contracting parties pursuant to article XXVI, domestic legislation inconsistent with the agreement's provisions would require immediate modification.

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

The resolution will enter into force when it is accepted by all the contracting parties. On June 30, 1956, Burma was the only contracting party that had not accepted the resolution.

Protocols of amendment, and agreement on the Organization for Trade Cooperation

At their Ninth Session in 1954–55, the Contracting Parties conducted a review of the General Agreement to determine to what extent it should be modified in order to attain its objectives more effectively. From the review came a series of proposed amendments to the General Agreement, and the proposed Agreement on the Organization for Trade Cooperation.[47] The proposed amendments, which were incorporated in three protocols, were submitted to the contracting parties for acceptance. The Agreement on the Organization for Trade Cooperation was also submitted to the contracting parties. On June 30, 1956, neither the proposed amendments to the General Agreement nor the Agreement on the Organization for Trade Cooperation had entered into force.

Protocols of rectifications and modifications of schedules, and proposed consolidation of schedules

Tariff concessions negotiated under the General Agreement are incorporated into the agreement by means of the schedules of tariff concessions. A schedule is a listing of all concessions negotiated—pursuant to the pro-

[47] See *Operation of the Trade Agreements Program* (eighth report), ch. 2.

visions of the General Agreement—by one particular contracting party with other contracting parties. Each such "country schedule" contains, for each product on which a concession has been granted, a description of the product, the rate of duty applicable to it, and the tariff number under which the product is classified in the tariff of the country that has granted the concession. Article II of the General Agreement makes each of the schedules an integral part of the agreement.

From time to time the Contracting Parties find that the texts of the schedules should be formally modified to take into account changes that have, in fact, become effective by action of the Contracting Parties or in accordance with procedures established by the Contracting Parties.[48] Accordingly they prepare protocols of rectifications and modifications, which list the changes necessary to bring the schedules up to date. The protocols are then submitted to the contracting parties for their acceptance. They formally enter into force when they have been accepted by all the contracting parties. However, since the modifications or rectifications contained in the protocols have already actually been placed in effect by action of the Contracting Parties, there is slight incentive for contracting parties to "accept" them. On June 30, 1956, the Second, Third, Fourth, and Fifth Protocols of Rectifications and Modifications, prepared by the Contracting Parties and submitted to the contracting parties during the period 1952–55, had not yet entered into force.

The Fifth Protocol of Rectifications and Modifications was approved by the Contracting Parties at their 10th Session, and opened for signature on December 3, 1955. This protocol incorporated changes in the schedules of concessions of 15 of the contracting parties.

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

Election of Chairman and Vice Chairmen

At the close of the Ninth Session in 1954–55, the Contracting Parties elected Mr. L. Dana Wilgress, of Canada, as Chairman of the Contracting Parties; Mr. Fernando Garcia Oldini, of Chile, as First Vice Chairman;

[48] Changes in the schedules may be substantive or nonsubstantive. An example of a substantive change would be the modification of a rate of duty pursuant to article XXVIII of the agreement; an example of a nonsubstantive change would be the correction of a textual spelling error.

and Mr. Gunnar Seidenfaden, of Denmark, as Second Vice Chairman—all for a period of 1 year. At the 10th Session, Mr. Wilgress and Mr. Oldini were unanimously reelected to their positions for an additional period of 1 year. Mr. Seidenfaden had been called to other duties and could not continue in his position; in his stead, the Contracting Parties unanimously elected Mr. Paul Koht, of Norway.

Procedures for intersessional administration of the agreement

The General Agreement does not specifically provide for any organization for its administration. Article XXV provides that the contracting parties shall meet from time to time to consider matters arising out of the application of the agreement, but makes no provision for administering the agreement during the period when the contracting parties are not in session. As a result of discussions at their Sixth Session in 1951, the Contracting Parties established—on an experimental basis—an ad hoc Committee for Agenda and Intersessional Business to deal with matters that might require immediate action during the period between the sessions of the Contracting Parties. This type of intersessional administration—modified somewhat by the Contracting Parties at their Ninth Session in 1954–55—has since been continued.

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

The Committee has a membership of 17 contracting parties, elected at each regular session of the Contracting Parties. Members are selected in such a manner as to insure that the Committee is representative of the broad geographical areas to which the contracting parties belong, and of the different degrees of economic development and divergent economic interests to be found among the contracting parties. At the 10th Session, the following contracting parties were elected to the Intersessional Committee: Australia, Austria, Brazil, Canada, Chile, Cuba, France, the Federal Republic of Germany, India, Indonesia, Italy, the Netherlands, Norway, Pakistan, the Union of South Africa, the United Kingdom, and the United States.

Financial and budgetary matters

At their 10th Session, the Contracting Parties approved the audit of the 1954 accounts and the report by the Executive Secretary on the financing of the 1955 budget. They also adopted an estimated budget of $448,800 for 1956. The United States contribution to this budget was $65,000, or 14.5 percent of the total.

For 1956, as for the preceding year, the budget estimate was higher than that of the previous year. In a note accompanying his estimate, the Executive Secretary attributed the higher budget to a permanent increase in the workload of the GATT Secretariat. He also noted that the 1956 budget of the Contracting Parties had been expected to be the first budget of the proposed Organization for Trade Cooperation. Although this expectation had not materialized, the Executive Secretary stated that he had appended to his budget estimate an outline of budget proposals—based on the present workload of the Secretariat—that were considered necessary for an effective administration of the General Agreement on a permanent basis. Such an outline, he stated, would give the contracting parties some idea of the probable magnitude of the budget necessary to operate the OTC, should the proposed organization be adopted. The suggested budget totaled $596,000—an increase of $148,000 over the 1956 budget estimate on the present basis.

During the 10th Session, considerable sentiment developed for a review of the existing system of computing financial contributions by the contracting parties to the General Agreement. Contributions now are based on the share of the total foreign trade that was accounted for in 1949–53 by each of the contracting parties. Important changes in the respective shares of world trade have occurred since then. The Contracting Parties therefore agreed to examine the question of revising the scale of contributions at their 11th Session in 1956.

At the 10th Session, the budget working party called the attention of the Contracting Parties to Uruguay's failure to meet its financial obligations to the General Agreement. Since Uruguay became a contracting party in 1953, it was pointed out, that country had failed to pay each of its annual contributions and also had not reimbursed the Contracting Parties for its share of the expenses of the Annecy and Torquay Conferences. As of December 31, 1955, the Contracting Parties were informed, Uruguay would be in arrears $12,550.43.

Chapter 3

United States Trade-Agreement Negotiations During 1955-56

During the period covered by this report, the United States participated in two types of trade-agreement negotiations: (1) Negotiations with 21 countries during the fourth round of multilateral tariff negotiations sponsored by the Contracting Parties to the General Agreement on Tariffs and Trade, and (2) negotiations with 17 countries under the provisions of article XXVIII of the General Agreement.

The multilateral negotiations sponsored by the Contracting Parties to the General Agreement, held at Geneva, Switzerland, constituted the fourth set of tariff negotiations under the General Agreement. The first set of these multilateral tariff negotiations took place at Geneva from April 10 to October 30, 1947; the second, at Annecy, France, from April 11 to August 27, 1949; and the third, at Torquay, England, from September 28, 1950, to April 21, 1951. The tariff negotiations at Geneva in 1955 related almost entirely to the accession of Japan to the General Agreement.

FOURTH ROUND OF TARIFF NEGOTIATIONS SPONSORED BY THE CONTRACTING PARTIES TO THE GENERAL AGREEMENT

The fourth round of multilateral tariff negotiations sponsored by the Contracting Parties to the General Agreement opened at Geneva on January 18, 1956, and closed on May 23, 1956, with the signing of the Sixth Protocol of Supplementary Concessions.

The 22 countries—already contracting parties to the General Agreement —that participated in the Geneva Conference in 1956 were as follows:[1]

Australia	Finland	Netherlands
Austria	France	Norway
Belgium	Germany (Federal Republic)	Peru
Canada	Haiti	Sweden
Chile	Italy	Turkey
Cuba	Japan	United Kingdom
Denmark	Luxembourg	United States
Dominican Republic		

[1] Thirteen contracting parties—Brazil, Burma, Ceylon, Czechoslovakia, Greece, India, Indonesia, New Zealand, Nicaragua, Pakistan, Rhodesia and Nyasaland, the Union of South Africa, and Uruguay—did not participate in the tariff negotiations at Geneva in 1956.

Besides the 22 countries listed above, the High Authority of the European Coal and Steel Community participated for the first time in a tariff conference sponsored by the Contracting Parties to the General Agreement. Acting as agent for its 6 member states, the High Authority—on behalf of France, West Germany, and Italy—granted and obtained concessions on certain iron and steel products.

Not every country that participated in the Geneva Conference in 1956 negotiated with all the other participating countries. Many countries had too little trade with one another to warrant the exchange of concessions. Other countries, because of the extensive negotiations they had concluded at preceding conferences, had few additional concessions to offer. In all, the 22 participating contracting parties completed about 60 negotiations between pairs of countries. Because most of the commodities involved had already been the subject of concessions at Geneva in 1947, at Annecy in 1949, at Torquay in 1950–51, and at Geneva in 1955, there was little change in the estimated number of items (60,000) already covered by concessions in the General Agreement.[2]

In preparation for the Geneva Conference, the Contracting Parties requested the countries that desired to participate in the negotiations to submit to each other participating country with which it wished to negotiate a preliminary list of the products on which it intended to request tariff concessions at Geneva, and later, a final list of the tariff and other concessions it intended to request from each country. Because the United States Government is required by law to give public notice of all tariff items that are to be the subject of negotiation, and to hold public hearings thereon, the United States treated the preliminary lists received from other countries as definitive. After study of these preliminary and final lists, each participating country was expected to be ready, at the beginning of the Geneva Conference, to announce the concessions it was prepared to negotiate with each country from which it had received a request for concessions.

Character and Scope of the Geneva Tariff Negotiations

Two types of tariff negotiations took place during the Geneva Conference in 1956: (1) Those for new or additional tariff concessions between existing contracting parties to the General Agreement, and (2) those between contracting parties for the purpose of making adjustments, under the provisions of article XXVIII of the General Agreement, in tariff concessions negotiated at Geneva, Annecy, or Torquay.[3] Unlike the situation at Geneva in 1947,

[2] Approximately 45,000 concessions were granted at the Geneva Conference in 1947, about 5,000 concessions at the Annecy Conference in 1949, about 8,800 concessions at the Torquay Conference in 1950–51, and about 1,200 concessions at the Geneva Conference in 1955.

[3] Many of the article XXVIII negotiations described in a later section of this chapter were completed before the Geneva Conference began. Some of the article XXVIII negotiations were held at locations other than Geneva.

at Annecy in 1949, at Torquay in 1950–51, and at Geneva in 1955, no additional countries negotiated for accession to the General Agreement at Geneva in 1956.

As at the previous tariff negotiations conferences, the contracting parties established a Tariff Negotiations Committee at the beginning of the Geneva Conference. This Committee coordinated the tariff negotiations and made policy recommendations on such matters connected with the conduct and conclusion of the negotiations as required joint action by the Contracting Parties.

At Geneva in 1956 the tariff negotiations followed the general pattern established at Geneva in 1947, at Annecy in 1949, and at Torquay in 1950–51. Initially they were conducted on a bilateral basis, product by product, between negotiating teams representing pairs of countries. As each pair of countries was ready to begin negotiations, each of the countries gave to the other a list of the concessions it was prepared to offer. After these "offer lists" had been exchanged and studied by the respective negotiating teams, negotiations between the pairs of countries began.

When the offer lists were exchanged by the various pairs of negotiating teams, copies were also sent to the delegations of all other participating countries. Through this technique of multilateral tariff bargaining, a country—in determining the concessions it is finally prepared to make—can take into account those indirect benefits it may expect to obtain from all other negotiating countries as a group, since all contracting parties—with specified exceptions [4]—obtain the benefit of any concessions granted by a particular country to any other member. In making up its offer lists, each participating country generally initiates negotiations with the country that is its principal supplier, or seems likely to become the principal supplier, of the given product.

As at Geneva, Annecy, and Torquay, the negotiations at Geneva in 1956 were conducted on a selective product-by-product basis. The negotiators on each team thus had an opportunity to consider the needs of individual countries and industries. In the process of negotiation, the pairs of negotiating teams either agreed on schedules of reciprocal concessions, or terminated the negotiations because no agreement could be reached. In all cases, the actions of the negotiating teams were subject to the approval of designated authorities on the delegations that they represented.[5]

In making tariff commitments at Geneva, countries agreed to reduce an import duty or to bind it against increase at the existing levels, or they

[4] For example, 14 contracting parties that had not negotiated with Japan at Geneva in 1955 gave formal notice, as permitted by article XXXV, that the provisions of the General Agreement would not apply as between themselves and Japan.

[5] For the United States, the officially designated authority was the Trade Agreements Committee, the decisions of which were subject to the approval of the President of the United States.

agreed not to raise a duty above a specified higher level. In the final stage of the Geneva Conference, the concessions agreed to in the various bilateral negotiations were consolidated into separate schedules of concessions for each participating country. Copies of these consolidated schedules were then sent to the delegations of all participating countries, so that the delegations might assess the overall results of the negotiations, and, where they considered it necessary, renegotiate whatever was necessary to provide an equitable overall balance. All schedules of tariff concessions in the final Geneva agreement therefore had the assent of all the contracting parties. Because negotiations under the General Agreement are multilateral, each of the contracting parties—with specified exceptions—obtains in its own right the concessions in all the country schedules.

After the conclusion of the fourth round of tariff negotiations, the Sixth Protocol of Supplementary Concessions was opened for signature at Geneva on May 23, 1956. It was signed on that day by representatives of all the 22 countries that had taken part in the negotiations. By June 30, 1956—the end of the period covered by this report—the first stage of the concessions granted by Cuba and the first stage of the concessions granted by the United States had become effective.[6] The concessions granted to the United States by each of the other countries with which it concluded agreements at Geneva will become effective in one stage at various future dates, depending on the domestic procedures employed by such other countries. Should any signatory country fail to place in effect its concessions to the United States, the United States has the right, under the protocol, to withdraw the concessions it initially negotiated with that country until the country makes its concessions effective.

United States Participation in the Negotiations

Preparations for the negotiations

The United States carried out its preparations for participation in the fourth round of multilateral tariff negotiations at Geneva in 1956 under the procedures specified in the Trade Agreements Act of 1934, as amended, in the Trade Agreements Extension Act of 1955, and in Executive Order 10082.

On September 21, 1955, in accordance with these procedures, the Interdepartmental Committee on Trade Agreements issued formal notice of United States intention to participate in trade-agreement negotiations with the following 25 countries: Australia, Austria, Belgium, Canada, Chile, Cuba, Denmark, the Dominican Republic, Finland, France, the Federal Republic of Germany, Greece, Haiti, India, Italy, Japan, Luxembourg, the Netherlands, Nicaragua, Norway, Peru, Sweden, Turkey, the Union of

[6] The first stage of the concessions granted by the United States became effective on June 30, 1956.

South Africa, and the United Kingdom.[7]

In an annex to its public notice, the Trade Agreements Committee listed the imported commodities that the United States would be prepared to consider for concessions in the negotiations. On December 9, 1955, in a supplemental public notice, the Committee listed additional commodities that it would be prepared to consider for concessions. The list of September 21, 1955, involved 350 tariff paragraphs or subparagraphs and 1 section of the Internal Revenue Code, each of which included one or more commodities, and covered approximately 1,250 statistical (Schedule A) classifications or parts thereof. The list of December 9, 1955, involved 32 tariff paragraphs or subparagraphs, each of which included one or more commodities, and covered approximately 50 statistical classifications or parts thereof.

At the same time that the above-mentioned public notices were issued, the Committee for Reciprocity Information (CRI)[8] issued notices of two public hearings to be held by that Committee, beginning on October 31, 1955, and on January 17, 1956. The CRI hearings were held to receive oral and written statements from interested persons on all phases of the proposed negotiations, including tariff concessions that might be granted by the United States and concessions that might be sought by the United States. The two public hearings were held, respectively, from October 31 through November 10, 1955, and from January 17 through January 19, 1956.

As required by section 3 (the "peril point" provision) of the Trade Agreements Extension Act of 1951, as amended, the President on September 21, 1955, transmitted to the United States Tariff Commission the list of imported articles that had been published by the Trade Agreements Committee on that date, and requested the Commission to conduct the required peril-point investigation. The Commission instituted its investigation on the same day. On December 9, 1955, the President transmitted to the Commission the supplemental list of articles published by the Trade Agreements Committee on that date, and requested the Commission to conduct the required peril-point investigation. The Commission instituted its peril-point investigation on the supplemental list on the same day. From October 31 through November 10, 1955, and again from January 17 through January 19, 1956, the Commission held public hearings as required by law, to afford interested parties an opportunity to present their views with regard to possible concessions on the listed items. On January 16, 1956, the

[7] The United States did not conclude agreements at Geneva in 1956 with Greece, India, or Nicaragua, or negotiate with the Union of South Africa.

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

Commission submitted to the President its report on the original list, and on February 10, 1956, its report on the supplemental list.[9]

In preparing for the fourth round of multilateral tariff negotiations the United States interdepartmental trade agreements organization followed its usual procedures.[10] As required by Executive Order 10082, and at the request of the Trade Agreements Committee, the Tariff Commission submitted tariff, trade, and other data on articles imported into the United States from the 25 contracting parties to the General Agreement with which the United States proposed to negotiate. The Department of Commerce submitted corresponding information on products exported from the United States to those countries.

After the hearings before the Committee for Reciprocity Information, each of the several country committees of the Interdepartmental Committee on Trade Agreements analyzed the mass of information for each of the commodities listed for possible negotiation. On the basis of this information, each country committee then made recommendations to the Trade Agreements Committee as to the specific commodities on which it believed the United States should grant and request concessions in the negotiations with the particular foreign country, as well as the nature and extent of the concessions it believed should be made to that country or requested of it. On the basis of the reports and recommendations received from the various country committees, and of other information, the Trade Agreements Committee determined whether satisfactory agreements appeared possible, and, if so, transmitted to the President, through the Secretary of State, a recommendation that formal negotiations be undertaken. Accompanying each such recommendation were two tentative lists of items: (1) Concessions that the United States might appropriately ask of the foreign country concerned, and (2) concessions that the United States might appropriately grant to the specified country. After the proposals of the Trade Agreements Committee had been approved by the Secretary of State and the President, the negotiations with the specified countries began at Geneva.

[9] On June 7, 1956, after the completion of the negotiations at Geneva, the President sent a message to the Congress identifying two items for which the trade agreement that the United States concluded under the General Agreement in June 1956 failed to provide the increased import duties specified in the Commission's peril-point report of January 16, 1956. These items were certain tungsten alloys dutiable under paragraph 302 (h) and violins and violas dutiable under paragraph 1541 (b). On the same day, the Commission sent to the Senate Committee on Finance and the House Committee on Ways and Means copies of the portions of its peril-point report that dealt with those items.

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

United States Delegation for the negotiations

The United States Delegation to the fourth round of tariff negotiations sponsored by the Contracting Parties to the General Agreement on Tariffs and Trade consisted of a chairman and a vice chairman; nongovernmental members of the delegation; members and alternates of the Trade Agreements Committee; advisers and consultants to the delegation; members of, and technical advisers to, the negotiating teams; and the secretariat. All together it comprised approximately 90 persons from 9 United States Government agencies.[11] About 65 of these persons were officials, and 4 were nongovernmental members of the delegation; the rest were members of the secretariat. About 45 of the officials were members of the various United States negotiating teams, or technical advisers to them.

The Trade Agreements Committee held regular meetings at Geneva during most of the Conference. The Committee, presided over by a representative of the Department of State, consisted of members or alternates from the Departments of State, Agriculture, Commerce, Defense, Interior, Labor, and Treasury; the Tariff Commission; and the International Cooperation Administration.

For the Geneva Conference, the Trade Agreements Committee designated nine United States negotiating teams, all headed by representatives of the Department of State, to negotiate with representatives of the following countries or groups of countries:

I. Canada
II. United Kingdom and Australia
III. France
IV. Italy and Austria
V. Japan, Greece, Turkey, and India
VI. Germany (Federal Republic)
VII. Benelux Customs Union
VIII. Denmark, Finland, Norway, and Sweden
IX. Chile, Cuba, Peru, Dominican Republic, Nicaragua, and Haiti

Each United States negotiating team consisted of members from the Department of State and the Department of Commerce, and a technical adviser from the Tariff Commission. Some of the teams also had members from the Department of Agriculture, the Department of Labor, and the Department of Defense. The negotiating teams not only had the services of the technical experts who were members of the teams, but also acted under the direction of the Trade Agreements Committee, and had the technical assistance of experts and advisers detailed to Geneva by various agencies of the Government. All the actions of the several United States negotiating teams were subject to approval by the Trade Agreements Committee.[12]

[11] Not all the members of the delegation served at Geneva for the entire period of the Conference.

[12] Actions of the Trade Agreements Committee, in turn, were subject to approval by the President.

As each negotiating team reached a stage in its negotiations when it considered either that a satisfactory agreement could be concluded or that no agreement was possible, the team appeared before the Committee and presented its report and recommendations. The Trade Agreements Committee approved the recommendations of the teams, or instructed the teams either to proceed with further negotiations as indicated by the Committee or to terminate the negotiations.

In accordance with the provisions of Executive Order 10082, a member of the Tariff Commission served on the Trade Agreements Committee at the Geneva Conference. Two Commissioners and 13 members of the Commission's staff attended the Conference as members of the United States Delegation. Of the 13 staff members, 11 served as technical advisers to the delegation or the negotiating teams, and 2 as members of the secretariat.

Concessions Granted and Obtained by the United States at Geneva

Concessions granted by the United States

The tariff concessions that the United States granted to the 21 countries with which it concluded negotiations at Geneva in 1956 establish the customs treatment to be accorded the specified commodities upon their importation into the United States. These concessions, which are listed in the United States schedule annexed to the Sixth Protocol of Supplementary Concessions,[13] are of three types: (1) Reductions from existing rates of duty; (2) bindings of existing rates of duty against increase; and (3) bindings of duty-free status.

Under existing United States legislation, the maximum reduction that may be made in the import duty on any commodity is 15 percent of the rate in effect on January 1, 1955—except that any rate of duty that exceeds 50 percent ad valorem (or the equivalent thereof) may be reduced to 50 percent ad valorem (or the equivalent thereof). The concessions that the United States granted to other countries at Geneva in 1956 consisted almost entirely of reductions of approximately 15 percent in the existing rates of duty.[14] The rates of duty on 36 commodities for which the existing ad valorem rates, or the ad valorem equivalents of the rates, were more than 50 percent were

[13] For a complete list of the commodities on which the United States granted concessions at Geneva, see U. S. Department of State, *General Agreement on Tariffs and Trade, Analysis of United States Negotiations: Sixth Protocol (Including Schedules) of Supplementary Concessions, Negotiated at Geneva, Switzerland, January–May 1956,* Pub. 6348 (Commercial Pol. Ser. 158), 1956, pp. 187–297. See also U. S. Department of State, *General Agreement on Tariffs and Trade, Schedule XX, United States of America, Annotated to Show Countries With Which Concessions Were Initially Negotiated at Geneva in 1956,* Pub. 6362 (Commercial Pol. Ser. 159), 1956.

[14] Sec. 3 of the Trade Agreements Extension Act of 1955 provides that the President may—within carefully specified limits—exceed the duty-reduction limits set forth in the act if he determines that such action will simplify the computation of the import duties involved.

reduced (34 of them to 50 percent). One free-list item (that is, a product subject to neither a regular import duty nor an import-excise tax) was bound on the free list. In accordance with the provisions of the Trade Agreements Extension Act of 1955, most of the concessions that the United States granted at Geneva in 1956 will become effective in three annual stages.[15] The first stage became effective on June 30, 1956.

For one of the products on which the United States granted a concession at Geneva—copper—the concession consisted of a commitment to reduce further by approximately 15 percent the import-excise taxes on unmanufactured copper and copper poducts, provided for in section 4541 of the Internal Revenue Code of 1954, as modified. However, this further reduction is to be applied only when the average market price of electrolytic copper in standard shapes and sizes (delivered Connecticut Valley) is 24 cents or more per pound. Public Law 38, 82d Congress, as amended by Public Law 91, 84th Congress, suspends the import-excise taxes on copper until June 30, 1958. It provides, however, that the President must revoke the suspension at an earlier date if the Tariff Commission determines that the average market price of electrolytic copper in standard shapes and sizes (delivered Connecticut Valley) has been below 24 cents per pound for any 1 calendar month during the period. Inasmuch as the import-excise taxes on copper are currently suspended, imports of copper have not been included in the subsequent statistical analysis of concessions granted by the United States.[16]

Of the total trade coverage of United States concessions at Geneva, about 3.1 million dollars out of the total direct concessions valued at 519.1 million dollars (based on the trade in 1954) involved the use of the provision that permits the President to reduce to 50 percent ad valorem (or the equivalent thereof) any rate of duty which on January 1, 1955, exceeded 50 percent ad valorem (or the equivalent thereof). About half of this 3.1 million dollars represented one item—silk handkerchiefs and woven mufflers valued at not more than $5 per dozen—on which the United States granted to Japan a reduction in the rate of duty from 60 percent to 50 percent ad valorem.

Under the general provisions of the General Agreement, the concessions that the United States granted to the individual countries with which it concluded negotiations at Geneva are extended to each of the other countries

[15] See the section of ch. 1 on the principal provisions of the Trade Agreements Extension Act of 1955.

[16] Total United States imports of copper from all countries in 1954 were valued at 327 million dollars. Exports of copper from the United States in that year were valued at 170 million dollars. If the import-excise taxes on copper had been applicable, imports equivalent to 170 million dollars would have been entitled to duty-free entry under bond for smelting, refining, and reexport. Thus, net imports of copper subject to the import-excise taxes would have been valued at 157 million dollars, which is slightly less than the value (158 million dollars) of imports of copper from Chile, with which country the concession on the import-excise taxes was originally negotiated.

that participate in the agreement. The benefits of the concessions are also extended—with one exception—to countries that are not contracting parties to the General Agreement. Under the provisions of section 5 of the Trade Agreements Extension Act of 1951 the United States has suspended the application of trade-agreement reductions in duties to imports of products from the Soviet Union or from any nation or area dominated or controlled by the foreign government or foreign organization controlling the world Communist movement.

Table 1 shows the scope of the concessions that the United States granted at Geneva in 1956. The table presents data on the value of United States imports in 1954 from the 21 countries with which the United States concluded negotiations (hereafter referred to as the Geneva countries), as well as the value of imports in that year of the products on which the United States granted concessions.

In 1954, total imports into the United States from the 21 Geneva countries were valued at 5.3 billion dollars. Of this total, dutiable imports accounted for 2.9 billion dollars, and duty-free imports, for 2.4 billion dollars. In return for the concessions it obtained at Geneva, and as compensation for increases in certain United States rates of duty and for certain United States tariff reclassifications,[17] the United States granted tariff concessions to the countries of initial negotiation on products that accounted for imports valued at 519.1 million dollars in 1954 (excluding imports of copper), or 9.7 percent of total imports and 17.8 percent of dutiable imports from those countries in that year. Imports of these products from other countries that participated in the negotiations at Geneva were valued at 134.1 million dollars (excluding imports of copper), thus bringing the total value of imports of concession items (excluding copper from the countries negotiating at Geneva) to 653.2 million dollars. If imports of copper are included, total imports of concession items from these countries into the United States in 1954 were valued at approximately 811 million dollars.

The figures just cited relate to imports into the United States of concession items from the countries that participated in the Geneva negotiations. Total imports from all countries of products on which the United States granted concessions at Geneva (excluding imports of copper) were valued at 753.2 million dollars in 1954, or 16 percent of dutiable imports into the United States in that year. If net imports of copper—the currently suspended import taxes on which were the subject of a concession—are included, the figure for total imports of concession items from all countries in 1954 becomes 911 million dollars.

The distribution of United States concessions at Geneva among the major

[17] The United States granted concessions as compensation for the increases in the rates of duty on bicycles and liquid sugar, and as compensation for tariff reclassifications affecting concessions previously granted on crisp bread and a jute product.

TABLE 1.—*United States imports for consumption in 1954 (dutiable and free) from the countries with which the United States concluded agreements at Geneva in 1956: Total, imports of commodities on which the United States initially granted concessions to each country, and imports of commodities on which the United States granted concessions to other negotiating countries*

[Foreign value; all data are preliminary]

Country	Imports of all commodities			Imports of products on which the United States granted concessions—		Ratio of imports of direct concessions to—	
	Total, dutiable and free	Dutiable	Free	Initially to each of the countries at Geneva	To other countries at Geneva (indirect benefits)	Total dutiable and free	Total dutiable
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*Percent*	*Percent*
Australia	117,397	89,928	27,469	1,217	1,182	1.0	1.4
Austria	29,192	27,661	1,531	12,080	1,471	41.4	43.7
Benelux Customs Union	351,863	248,410	103,453	32,522	15,309	9.2	13.1
Canada	2,386,186	925,949	1,460,237	123,408	13,502	5.2	13.3
Chile	198,541	4,016	[1] 194,525	[2] 505	--------	.3	12.6
Cuba	399,963	355,157	44,806	23,424	254	5.9	6.6
Denmark	50,788	36,426	14,362	1,543	2,243	3.0	4.2
Dominican Republic	71,991	17,211	54,780	10,049	32	14.0	58.4
Finland	39,478	11,717	27,761	6,258	667	15.9	53.4
France	157,499	123,078	34,421	6,763	19,064	4.3	5.5
Germany (Federal Republic)	277,611	223,723	53,888	31,555	31,198	11.4	14.1
Haiti	24,847	2,056	22,791	578	157	2.3	28.1
Italy	143,761	118,760	25,001	40,029	10,840	27.8	33.7
Japan	276,104	208,580	67,524	13,796	8,587	5.0	6.6
Norway	57,938	23,630	34,308	5,721	1,102	9.9	24.2
Peru	97,608	51,441	46,167	1,408	88	1.4	2.7
Sweden	75,716	29,319	46,397	5,671	8,519	7.5	19.3
Turkey	57,547	42,103	15,444	35,390	11	61.5	84.1
United Kingdom	503,356	358,244	145,112	145,890	19,380	29.0	40.7
Hong Kong	11,951	9,649	2,302	3,322	452	27.8	34.4
Bahamas	2,870	988	1,882	807	47	28.1	81.7
High Authority of the European Coal and Steel Community	---------	---------	----------	[3] 17,141	--------	-----	-----
Total	5,332,207	2,908,046	[1] 2,424,161	[2] 519,077	[2] 134,105	9.7	17.8

[1] Includes imports of copper valued at 157,686 thousand dollars.

[2] Excludes imports of copper.

[3] Iron and steel products on which concessions were initially negotiated with the High Authority acting as agent for the 6 member countries of the European Coal and Steel Community.

[For source note, see p. 62.]

groups of commodities, based on the import statistics for 1954 (and excluding net imports of copper), was as follows:

	Imports of concession items in 1954 (thousands of dollars)	*Percent of total*
Chemical and related products	40,794	5.4
Ceramic and nonmetallic mineral products	29,540	3.9
Metals and manufactures thereof	[1] 316,263	42.0
Lumber and paper products	35,791	4.8
Agricultural products	222,659	29.6
Textile products	47,469	6.3
Miscellaneous products	60,655	8.0
Total	[1] 753,171	100.0

[1] Excludes imports of copper.

In terms of the trade coverage of United States concessions, the most important negotiations that the United States conducted at Geneva were those with the United Kingdom, Canada, Italy, Turkey, the Benelux Customs Union, and the Federal Republic of Germany. The concessions that the United States granted to each of the 21 countries with which it concluded negotiations at Geneva in 1956 are summarized in a later section of this chapter.

Concessions obtained by the United States

The concessions that the United States obtained from the 21 countries with which it concluded negotiations at Geneva in 1956 establish the customs treatment to be accorded the specified commodities upon their importation into the respective countries. These concessions, which are listed in the schedules annexed to the Sixth Protocol of Supplementary Concessions, are of four general types: (1) Elimination of duties; (2) reductions from existing rates of duty; (3) bindings of existing duties against increase; and (4) bindings of duty-free status.

Table 2 shows the scope of the concessions that the United States obtained at Geneva in 1956. The table presents data on the value of imports in 1954 from the United States into the countries with which the United States concluded agreements at Geneva, of commodities on which the respective countries granted direct concessions to the United States.

In 1954, total exports from the United States to all countries were valued at about 15 billion dollars, of which about 7 billion dollars represented exports to the 21 countries with which the United States concluded negotiations at Geneva in 1956. In return for the concessions it granted at Geneva,

Source for table 1: Compiled from official statistics of the U. S. Department of Commerce (imports of all commodities), and U. S. Department of State, *General Agreement on Tariffs and Trade: Analysis of United States Negotiations, Sixth Protocol (Including Schedules) of Supplementary Concessions, Negotiated at Geneva, Switzerland, January–May 1956,* Pub. 6348 (Commercial Pol. Ser. 158), 1956 (imports of products on which the United States granted concessions).

the United States obtained tariff concessions from the countries of initial negotiation on products that accounted for imports into those countries from the United States valued at 395.7 million dollars in 1954. In addition to the benefits resulting from these direct concessions, the United States will receive indirect benefits from the concessions that other participating countries exchanged with each other, in approximately 60 negotiations between pairs of countries.

TABLE 2.—*Imports in 1954 from the United States into the countries with which the United States concluded agreements at Geneva in 1956, of commodities on which the respective countries granted direct concessions to the United States*

[Foreign value, in thousands of dollars]

Country	Imports from the United States
Australia	2,408
Austria	2,364
Benelux Customs Union	27,634
Canada	81,373
Chile	8,094
Cuba	2,496
Denmark	1,385
Dominican Republic	5,906
Finland	10,092
France	7,320
Germany (Federal Republic)	34,081
Haiti	717
Italy	39,073
Japan	18,128
Norway	5,058
Peru	1,222
Sweden	5,081
Turkey	3,739
United Kingdom	124,789
Hong Kong	4,644
Bahamas	409
High Authority of the European Coal and Steel Community	[1] 9,698
Total	395,711

[1] Includes imports valued at 2,591 thousand dollars, representing concessions granted on behalf of France; 1,799 thousand dollars, on behalf of West Germany; and 5,308 thousand dollars, on behalf of Italy.

Source: Based on U. S. Department of State, *General Agreement on Tariffs and Trade: Analysis of United States Negotiations, Sixth Protocol (Including Schedules) of Supplementary Concessions, Negotiated at Geneva, Switzerland, January–May 1956*, Pub. 6348 (Commercial Pol. Ser. 158), June 1956. The statistics are based largely on those reported by the respective foreign countries.

The concessions that the United States obtained directly from each of the 21 countries with which it concluded negotiations at Geneva in 1956 are summarized in the next section of this chapter.[18] Except for estimates for certain individual countries, statistical data are not available to show the extent of the indirect benefits that the United States will receive as a result of the concessions granted by the 21 countries in their negotiations with each other.

Concessions Granted and Obtained by the United States, by Country

Australia

Concessions granted by the United States.—Imports into the United States from Australia in 1954 were valued at 117.4 million dollars. Of this amount, dutiable imports accounted for 89.9 million dollars, and duty-free imports, for 27.5 million dollars (see table 1). In that year, United States imports from Australia of commodities on which the United States granted concessions to that country at Geneva were valued at 1.2 million dollars, or 1 percent of total imports and 1.4 percent of dutiable imports.

Concessions that the United States granted to Australia consisted of reductions of approximately 15 percent in the rates of duty on tanning extracts, n.s.p.f.;[19] eucalyptus oil; fresh, chilled, or frozen game (except birds), n.s.p.f.; cat gut, whip gut, oriental gut, and manufactures thereof; and manufactures of worm gut, n.s.p.f.

Besides benefiting from the concessions that the United States granted directly to Australia, that country will benefit from concessions that the United States granted to other countries at Geneva. Imports into the United States from Australia of products on which the United States granted concessions to other countries were valued at 1.2 million dollars in 1954.

Concessions obtained by the United States.—At Geneva, Australia granted the United States direct concessions on 5 items in the Australian tariff. Imports into Australia from the United States of products to which the concessions apply were valued at 2.4 million dollars in the fiscal year 1954–55 (see table 2). Of this total, commodities valued at approximately 1.9 million dollars—or about 80 percent—entered Australia at rates lower than concession rates of duty, under that country's "by-law" system. Under this system, certain essential goods not produced in Australia or the United Kingdom may be imported at reduced rates of duty or duty-free, provided such tariff treatment is approved by the Australian Government.

The commodities on which Australia granted direct concessions to the United States were certain mining and metallurgical machinery; certain

[18] For a detailed account of the concessions that the United States obtained at Geneva, by country, see U. S. Department of State, *General Agreement on Tariffs and Trade, Analysis of United States Negotiations: Sixth Protocol (Including Schedules) of Supplementary Concessions, Negotiated at Geneva, Switzerland, January–May 1956*, Pub. 6348 (Commercial Pol. Ser. 158), 1956, pp. 8–149.

[19] Not specially provided for.

roadmaking machines; certain power transformers and chokes for radio receivers; choke coils; and rubber, canvas, and composition belting. The concessions granted by Australia consisted of the elimination of the "primage" (special import duty of 5 or 10 percent ad valorem) on all 5 tariff items, the reduction in the rate of duty on 1 item, the binding of the rate of duty on 1 item, and the binding of the specific rate of duty (or, alternatively, the reduction in the ad valorem rate) on 1 item. On 2 of the tariff items on which the "primage" was eliminated the basic rates of duty were not bound against increase. On 4 of the 5 items, the concessions resulted in a narrowing of the margin of preference; on the fifth item, the margin of preference will be automatically reduced whenever the ad valorem duty is the effective rate.

Besides benefiting from the concessions it obtained in direct negotiations with Australia, the United States will benefit from concessions that Australia granted in its negotiations with other countries at Geneva. The trade value of such indirect concessions, based on Australian imports from the United States in the fiscal year 1954–55, is 7.1 million dollars.

Austria

Concessions granted by the United States.—Total imports into the United States from Austria in 1954 were valued at 29.2 million dollars; dutiable imports accounted for 27.7 million dollars, and duty-free imports, for 1.5 million dollars (see table 1). In that year, United States imports of products on which the United States granted concessions to Austria at Geneva were valued at 12.1 million dollars, or about 41.4 percent of total imports and 43.7 percent of dutiable imports.

Cut or faceted imitation precious stones and faceted imitation semiprecious stones were the principal products on which the United States granted concessions to Austria. The rate of duty on these products, which accounted for imports from Austria amounting to 10.9 million dollars in 1954, was reduced from 10 percent to 9 percent ad valorem. Other concessions that the United States granted to Austria included reductions of approximately 15 percent in the rates of duty on greaseproof and imitation parchment paper, articles of cellulose acetate, bentwood furniture, sheets and wire of molybdenum or tungsten, toilet soap, and shotguns and rifles.

The tariff concessions that the United States granted to Austria were largely in exchange for reciprocal concessions granted by that country. However, they also included compensation for increases by the United States in the rates of duty on bicycles in August 1955, pursuant to the escape-clause provision of the General Agreement. United States imports from Austria of bicycles that were affected by these increases in duty were valued at $788,000 in 1954.

Imports into the United States from Austria in 1954 of products on which the United States granted concessions to other countries were valued at 1.5 million dollars.

Concessions obtained by the United States.—In the negotiations at Geneva, Austria granted the United States direct concessions on 26 items and subitems in the Austrian tariff. Imports into Austria from the United States of the products to which the concessions apply were valued at 2.4 million dollars in 1954 (see table 2). On the basis of the present effective rates in its tariff, Austria reduced or eliminated the duties on 19 tariff items, which accounted for trade valued at 1.1 million dollars in 1954, and bound the rates of duty or the duty-free status of 6 tariff items, which accounted for trade valued at 1.2 million dollars. In the negotiations, the rate on 1 tariff item was fixed at the level in the draft Austrian tariff; the draft tariff rate on this item is higher than the rate in effect at the time of the negotiations. In general, the reductions in duties were substantial; all but one consisted of reductions of 25 percent or more in the effective rates of duty.

The principal commodities on which the United States obtained concessions from Austria were animal tallow for technical purposes; certain caterpillar dredging machines; certain photographic film; certain calculating machines, bookkeeping machines, cash registers, and similar machines fitted with registering devices; certain wheel tractors; and certain loading machines for underground mining. The concession on animal tallow for technical purposes, which accounted for more than one-third of total Austrian concessions to the United States, consisted of the binding of its duty-free status.

Benelux Customs Union

Concessions granted by the United States.—Imports into the United States from the Benelux countries (Belgium, the Netherlands, and Luxembourg) in 1954 were valued at 351.9 million dollars. Of this amount, dutiable imports accounted for 248.4 million dollars, and duty-free imports, for 103.5 million dollars (see table 1). In that year, United States imports from the Benelux countries of commodities on which the United States granted concessions to the Benelux countries at Geneva were valued at 32.5 million dollars, or 9.2 percent of total imports and 13.1 percent of dutiable imports.

United States concessions to the Benelux countries, which involved dutiable products only, covered a wide variety of products, including a number of chemicals and gelatins; sheet, rolled, and plate glass; glass mirrors; certain iron and steel wire; X-ray tubes and parts; shotguns and parts; wood doors; tennis and badminton racket frames; certain manufactures of flax; wool carpets, rugs, and mats; certain artificial yarns; photographic paper; beaded handbags; and tuned bells.

Some of the direct concessions that the United States granted to the Benelux countries were made to compensate for increases by the United States in the rates of duty on bicycles in August 1955, pursuant to the escape-clause provision of the General Agreement. The United States also compensated the Benelux countries for a tariff reclassification that eliminated a concession that the United States had previously granted to them. Under this reclassification, a product that had long been entering the United States duty free as oakum became dutiable as a jute item.

Imports into the United States from the Benelux countries of products on which the United States granted concessions to other countries were valued at 15.3 million dollars in 1954.

Concessions obtained by the United States.—At Geneva, the Benelux countries granted the United States direct concessions on 42 items and subitems in the Benelux tariff. Imports into the Benelux countries from the United States of commodities to which the concessions apply were valued at 27.6 million dollars in 1954 (see table 2). Twenty-one of the concession items, accounting for approximately half of the imports of concession items, had not previously been included in the Benelux schedule of concessions in the General Agreement. In the negotiations with the United States, Benelux reduced the rates of duty on 20 tariff items (1 reduction representing a binding of a temporarily reduced rate, and 3 reductions in legal rates for items on which duties had temporarily been suspended); bound the existing rates of duty on 15 items; bound the existing duty-free treatment for 3 items; and granted the United States in its own right bindings of rates of duty on 3 items originally bound in the General Agreement to other countries. On 1 item, Benelux agreed not to levy a duty higher than 10 percent ad valorem.

The principal products on which the United States obtained concessions from the Benelux countries were frozen tongues of beef and veal; hosiery looms and knitting machines; menhaden oil; certain heavy mineral oils and residues of the distillation of mineral oils; horsemeat, salted or in brine; certain lubricants; lemons; fluorescent lamps and valves, tubes, or lamps for telegraphy, telephony, and television; and parts of gramaphones.

Canada

Concessions granted by the United States.—Total imports into the United States from Canada in 1954 were valued at 2,386.2 million dollars. Of this amount, dutiable products accounted for 925.9 million dollars, and duty-free products, for 1,460.2 million dollars (see table 1). In that year, United States imports from Canada of commodities on which the United States granted concessions to Canada were valued at 123.4 million dollars, or about 5.2 percent of total imports and 13.3 percent of dutiable imports.

All of the United States concessions to Canada related to dutiable products. The principal product on which the United States granted a concession to Canada was aluminum and alloys (including crude aluminum as well as plates, sheets, bars, and the like); imports of this item were valued at 70.3 million dollars in 1954. Other important concession items were certain chemicals, including unpolymerized vinyl acetate; synthetic rubber; uncoated book and printing paper; telegraph, telephone, and other wires and cables; machinery and parts, n.e.s.;[20] automobile parts; turnips and rutabagas; sweet clover seed; and crude barytes ore.

United States imports from Canada of products on which the United States granted concessions to other countries were valued at 13.5 million dollars in 1954.

Concessions obtained by the United States.—In the negotiations at Geneva, Canada granted the United States direct concessions on 137 items in the Canadian tariff. Imports into Canada from the United States of products to which the concessions apply were valued at 81.4 million dollars in 1954 (see table 2). Canada reduced its rates of duty on 69 tariff items, with a trade value of 37.7 million dollars; bound the rates of duty against increase for 24 tariff items, with a trade value of 10.2 million dollars; bound the duty-free status of 24 items, with a trade value of 16.2 million dollars; and transferred 15 tariff items, with a trade value of 10.8 million dollars, from the dutiable to the free list. Statistics are not available for a number of items on which Canada granted concessions to the United States; the figures given above, therefore, do not completely indicate the trade value of the concessions that the United States obtained in the negotiations. Canada also increased the rates of duty on 3 tariff items and transferred 2 tariff items from the free list to the dutiable list; these items had a trade value of 6.6 million dollars in 1954. For 5 tariff items, Canada increased the current "effective" rates, although it lowered the General Agreement rates.

The concessions that Canada granted directly to the United States covered most of the sections of the Canadian tariff. Among the individual products of special interest to the United States were orange juice, shrimp, tomato paste, edible offal, pulpboard, spectacle and eyeglass frames and parts, textile- and road-building machinery, guns and rifles, ball and roller bearings, electrical control instruments, tools for use in machines, and cameras and parts.

The negotiations with Canada also resulted in reductions in the margin between the preferential rates of duty that apply to imports from countries of the British Commonwealth and the most-favored-nation rates that apply to imports from the United States and all other non-Commonwealth countries that have trade agreements with Canada. In the negotiations, Canada eliminated the preferences on 25 items in its tariff, and reduced the margin of preference on 45 other tariff items.

Besides benefiting from the concessions it obtained in direct negotiations with Canada, the United States will benefit indirectly from concessions that Canada granted in negotiations with other countries at Geneva. The trade value of such indirect benefits, based on Canadian imports from the United States in 1954, is estimated to be more than 2 million dollars.

[20] Not elsewhere specified.

Chile

Concessions granted by the United States.—Imports from Chile into the United States in 1954 were valued at 198.5 million dollars; dutiable products accounted for 4 million dollars, and duty-free products (principally copper),[21] for 194.5 million dollars (see table 1). In that year, United States imports from Chile of commodities on which the United States granted concessions to Chile at Geneva were valued at 158.2 million dollars, or about 80 percent of total imports from Chile. United States imports from Chile of the copper products on which the United States granted concessions to Chile at Geneva were valued at 157.7 million dollars; imports of the other products on which the United States granted concessions to Chile were valued at $505,000.

In the negotiations with Chile at Geneva, the United States reduced by approximately 15 percent the rates of duty applicable to lentils, ground capsicum or red pepper, and grapes (except hothouse grapes) imported from February 15 to June 30, inclusive. Reductions of about 15 percent were granted to Chile on all import-excise taxes (presently suspended) on unmanufactured copper and copper products provided for in section 4541 of the Internal Revenue Code when the average market price of electrolytic copper is 24 cents per pound or more. The existing rates of duty were bound for still wines containing 14 percent or less of alcohol, in containers holding 1 gallon or less each, and for copper in rolls, sheets, or rods.

Concessions obtained by the United States.—At Geneva, Chile granted the United States concessions on 24 items in the Chilean tariff; 20 of these had not previously been included in Chile's schedule of concessions in the General Agreement. Imports into Chile from the United States of products to which concessions apply were valued at 8.1 million dollars in 1954, or about 4 percent of Chile's total imports from the United States in that year (see table 2). On 22 of the 24 tariff items, Chile granted reductions in the effective rates of duty; for 1 item it bound the effective rate; and for 1 item, which now enters duty free, it reduced the basic rate of duty.

The Chilean tariff consists of basic rates of duty which, in many instances, Chile has modified by unilateral action or in international agreements. In the negotiations with Chile, the effective rate of duty, rather than the basic rate, was used as a basis for negotiation. Besides the specific duties provided for them in the Chilean tariff, most imported commodities are also subject to an ad valorem surtax of 3, 28, 48, or 55 percent, depending on the product.

[21] The unmanufactured copper and copper products specified in sec. 4541 of the Internal Revenue Code are subject to import-excise taxes. Public Law 38, 82d Cong., as amended by Public Law 91, 84th Cong., however, suspends the import-excise taxes until June 30, 1958, unless—in accordance with the provisions of the law—the President revokes the suspension earlier. For a discussion of the conditional nature of the concession on copper, see the earlier section of this chapter on concessions granted by the United States.

These surtaxes, which Chile considers to be generally equivalent to internal taxes applied to domestically produced articles, were not a subject of negotiation at Geneva.

The principal commodities on which the United States obtained concessions from Chile at Geneva included mineral oil for machinery and for industrial uses, lubricating grease, motion-picture film, and inedible tallow.

Cuba

Concessions granted by the United States.—Total imports into the United States from Cuba in 1954 were valued at 400 million dollars. Of this amount, dutiable imports accounted for 355.2 million dollars, and duty-free imports, for 44.8 million dollars (see table 1). At Geneva, the United States granted to Cuba reductions of approximately 15 percent in the Cuban preferential rates of duty on 5 products. Imports into the United States of these products from Cuba were valued at 23.4 million dollars in 1954, or about 5.9 percent of total imports and 6.6 percent of dutiable imports in that year.

The tariff concessions that the United States negotiated with Cuba included not only those granted in exchange for reciprocal concessions granted by that country, but also those granted as compensation to Cuba for increases in the United States duties on liquid sugar. These duties were increased in order to equalize the duties on liquid sugar and those on dry crystalline sugar.

The products on which the United States reduced the Cuban preferential rates of duty were molasses and sugar sirup containing soluble nonsugar solids equal to more than 6 percent of the total soluble solids; molasses not used for the extraction of sugar, or for human consumption (including blackstrap); cigars and cheroots; fresh eggplant imported between December 1 and March 31; and ginger root, candied or otherwise prepared or preserved. Except for the duty on fresh eggplant, the duties applicable to imports of these products from countries—other than Cuba—that receive most-favored-nation treatment, were reduced in negotiations with the Dominican Republic, the Benelux Customs Union, and the United Kingdom. For five additional items on which the United States granted to third countries concessions in the most-favored-nation rates of duty, the existing Cuban preferential rates were bound against increase.

Imports into the United States from Cuba of products on which the United States granted concessions to other countries were valued at $254,000 in 1954.

Concessions obtained by the United States.—In the negotiations at Geneva, Cuba granted the United States reductions of 15 percent in the rates of duty on electric ventilators (excluding parts); electric, mechanical-combination, or thermodynamic refrigerators, except those for household use; refrigerating equipment of all kinds; and air-conditioning apparatus with a capacity of 2 tons or more, and spare parts and accessories therefor. Imports of these products into Cuba from the United States had an estimated value of 2.5 million dollars in 1954 (see table 2).

Denmark

Concessions granted by the United States.—Imports from Denmark into the United States in 1954 were valued at 50.8 million dollars; dutiable imports accounted for 36.4 million dollars, and duty-free imports, for 14.4 million dollars (see table 1). In that year, United States imports from Denmark of commodities on which the United States granted concessions to that country at Geneva were valued at 1.5 million dollars, or 3 percent of total imports and 4.2 percent of dutiable imports.

Concessions that the United States granted to Denmark at Geneva consisted of duty reductions of approximately 15 percent on the products involved. The principal concessions were those on grass seeds; other items on which the United States granted concessions included sodium silicofluoride, textile machinery, pectin, fish, aquavit, jewelry, and manufactures of silver.

Imports into the United States from Denmark of products on which the United States granted concessions to other countries were valued at 2.2 million dollars in 1954.

Concessions obtained by the United States.—At Geneva, Denmark granted the United States concessions on 20 items in the Danish tariff. Imports into Denmark from the United States of commodities to which the concessions apply were valued at 1.4 million dollars in 1954, or about 2.5 percent of Denmark's total imports from the United States in that year (see table 2). On 3 of the items Denmark granted reductions in the existing rates of duty; on 12 items it granted bindings of the existing rates, and on 5 items it bound the duty-free status.

The principal commodities on which the United States obtained concessions from Denmark included radio navigation apparatus; looms, knitting machines, and spinning machines; certain dynamo and transformer sheets; boards and planks of Oregon pine (Douglas fir), roughly shaped; and slaughterhouse offal for technical use. The concessions on all these items were bindings; 2 were of the existing rates of duty, and 3, of the existing duty-free status.

Dominican Republic

Concessions granted by the United States.—Total imports into the United States from the Dominican Republic in 1954 were valued at 72 million dollars; dutiable imports accounted for 17.2 million dollars, and duty-free imports, for 54.8 million dollars (see table 1). In that year, United States imports from the Dominican Republic of products on which the United States granted concessions to that country at Geneva were valued at 10 million dollars, or 14 percent of total imports and 58.4 percent of dutiable imports.

Concessions that the United States granted to the Dominican Republic at Geneva consisted of duty reductions of approximately 15 percent on 15 items and a binding of 1 item on the free list. The principal products on which the duties were reduced were molasses not used for the extraction of sugar, or for human consumption (including blackstrap); unsweetened chocolate; sweetened chocolate; and salt in bulk. The existing duty-free status of furfural was bound. In arriving at an overall balance in the agreement, account was taken of the fact that the United States was increasing its rates of duty on liquid sugar.

Imports into the United States from the Dominican Republic of products on which the United States granted concessions to other countries were valued at $32,000 in 1954.

Concessions obtained by the United States.—In the negotiations at Geneva, the Dominican Republic granted the United States concessions on 18 items, or parts of items, in the Dominican tariff, and modified the value brackets in 1 tariff classification. Imports into the Dominican Republic from the United States of products to which the concessions apply were valued at 5.9 million dollars in 1954 (see table 2). The Dominican Republic reduced its rates of duty on 10 tariff items, bound the existing rates of duty on 7 tariff items, bound the duty-free status of 1 item, and modified the value brackets in the tariff classification applying to passenger automobiles.

The principal commodities on which the United States obtained concessions from the Dominican Republic included trucks, pickups, and other auto cars for the transportation of cargo; rubber tires and tubes; gasoline and diesel motors (except automotive); passenger jeeps and autobuses; typewriters, cash registers, adding machines, calculating machines, and bookkeeping machines, and parts therefor; certain wrapping paper; and refrigerating machinery and parts therefor.

Finland

Concessions granted by the United States.—Imports from Finland into the United States in 1954 were valued at 39.5 million dollars; dutiable imports accounted for 11.7 million dollars, and duty-free imports, for 27.8 million dollars (see table 1). In that year, United States imports from Finland of products on which the United States granted concessions to that country at Geneva were valued at 6.3 million dollars, or 15.9 percent of total imports and 53.4 percent of dutiable imports.

The concessions that the United States granted to Finland at Geneva consisted of reductions of approximately 15 percent in the rates of duty involved. The principal products on which the United States granted concessions were sulphate wrapping papers and test or container boards. Other items on which the United States granted concessions included breech-loading rifles, greaseproof and imitation parchment paper, wrapping paper of kinds other than sulphite and sulphate, paper board and pulpboard, beer mat board, and tissue paper.

Imports into the United States from Finland of products on which the United States granted concessions to other countries were valued at $667,000 in 1954.

Concessions obtained by the United States.—At Geneva, Finland granted the United States concessions on 25 items in the Finnish tariff. Imports into Finland from the United States of products to which the concessions apply were valued at 10.1 million dollars in 1954, or 32 percent of total imports from the United States in that year (see table 2). On 13 of the items, Finland granted reductions in the existing rates of duty; 2 items were transferred from the dutiable to the free list. On 5 items it bound the existing rates of duty, and on 5 items it bound the existing duty-free status.

The principal commodities on which the United States obtained concessions from Finland include pulp and paper machinery; excavating machines; sodium hydroxide; airplanes and airplane parts; phenolic acid and cresol; apparatus for heating, cooling, sterilizing, and filtering; and certain electrical starting, lighting, and signaling apparatus for motor vehicles.

France

Concessions granted by the United States.—Total imports into the United States from France in 1954 were valued at 157.5 million dollars; dutiable imports accounted for 123.1 million dollars, and duty-free imports, for 34.4 million dollars (see table 1). In that year, United States imports from France of commodities on which the United States granted concessions to that country at Geneva were valued at 6.8 million dollars, or 4.3 percent of total imports and 5.5 percent of dutiable imports.

In terms of value, the two most important items on which the United States granted concessions to France at Geneva were fishing reels and parts —the duty on which was reduced by approximately 15 percent—and Angora rabbit hair yarn—the duty on which was reduced by about 12½ percent. Other important United States concessions to France included duty reductions ranging from about 5 percent to 15 percent on velvet and tapestry carpets, rayon pile ribbons, carbons and electrodes for producing electric arc light, velvet ribbons of silk or rayon, and ornamented wearing apparel.

Imports into the United States from France of products on which the United States granted concessions to other countries were valued at 19.1 million dollars in 1954.

Concessions obtained by the United States.—In the negotiations at Geneva, France granted the United States direct concessions on 23 items in the French tariff. Nine of the items had not previously been included in France's schedule of concessions in the General Agreement. Imports into France from the United States of products to which the concessions apply were valued at 7.3 million dollars in 1954 (see table 2), and at about 9 million dollars in 1955. France reduced its rates of duty on 16 tariff items and bound the existing rates of duty on 7 items. In terms of trade value, duty reductions accounted for 97.8 percent of France's concessions. Somewhat more than half of the trade value of France's concessions relate to commodities that are not subject to quantitative restrictions when imported from the United States.

The principal commodities on which the United States obtained concessions from France were sewing machines; cotton linters; benzols, toluols, xylols, naphtha solvents, and heavy aromatic solvents; oranges; certain clothing and clothing accessories suitable for use only after being repaired or cleaned; machines for the manufacture of glass fiber and for the manufacture of hollow glass from paste or liquid glass; certain excavating, leveling, boring, and extracting machinery; and ion exchangers.

Through the High Authority of the European Coal and Steel Community, France granted to the United States concessions that had a trade value of 2.6 million dollars in 1954. These concessions, together with those that the United States similarly obtained from the Federal Republic of Germany and from Italy, are discussed at the end of this section of chapter 3.

Germany (Federal Republic)

Concessions granted by the United States.—Imports from the Federal Republic of Germany into the United States in 1954 were valued at 277.6 million dollars; dutiable imports accounted for 223.7 million dollars, and duty-free imports, for 53.9 million dollars (see table 1). In that year, United States imports from West Germany of products on which the United States granted concessions to that country at Geneva were valued at 31.6 million dollars, or 11.4 percent of total imports and 14.1 percent of dutiable imports.

Most of the concessions that the United States granted to West Germany at Geneva consisted of reductions of approximately 15 percent in the rates of duty involved. The principal products on which the United States granted concessions were tubes of iron or steel, machinery for making synthetic textile products, miscellaneous machinery (except agricultural machinery), aluminum foil, mechanical toys, drawing instruments, table and household ware of iron or steel, electrical goods, wire rods, beads and spangles, and mouth organs. The tariff concessions that the United States granted to West Germany were largely in exchange for concessions obtained from that country, but some were in compensation for an escape-clause increase in the United States rates of duty on bicycles.

Imports into the United States from West Germany of products on which the United States granted concessions to other countries were valued at 31.2 million dollars in 1954.

Concessions obtained by the United States.—At Geneva, the Federal Republic of Germany granted the United States direct concessions on 157 items or subitems in the West German tariff. Imports into West Germany from the United States of products to which the concessions apply were valued at 34.1 million dollars in 1954 (see table 2). Reductions in statutory rates of duty applied to imports valued at 30.5 million dollars, and binding of existing tariff treatment, to imports valued at 3.6 million dollars.

The principal products on which the United States obtained concessions from West Germany were certain machine tools; airplanes and parts; hosiery frames and knitting machines; certain calculating machines and cash registers; certain raw fur skins; certain fruit and vegetable juices; certain machinery and appliances, n.e.s.; and certain radio telegraphic-telephone and television transmitters and receivers.

Through the High Authority of the European Coal and Steel Community, Germany granted the United States concessions that had a trade value of 1.8 million dollars in 1954. These concessions, together with those that the United States similarly obtained from France and Italy, are discussed at the end of this section of chapter 3.

Haiti

Concessions granted by the United States.—Total imports into the United States from Haiti in 1954 were valued at 24.8 million dollars; dutiable imports accounted for 2 million dollars, and duty-free imports, for 22.8 million dollars (see table 1). In that year, United States imports from Haiti of commodities on which the United States granted concessions to that country at Geneva were valued at $578,000, or 2.3 percent of total imports and 28.1 percent of dutiable imports.

The concessions that the United States granted to Haiti at Geneva consisted of reductions of approximately 15 percent in the rates of duty on vetivert oil and on forks, spoons, bowls, platters, lamp bases, book ends, and similar household wares in chief value of mahogany.

Imports into the United States from Haiti of products on which the United States granted concessions to other countries were valued at $157,000 in 1954.

Concessions obtained by the United States.—In the negotiations at Geneva, Haiti granted the United States direct concessions on 10 items in the Haitian tariff. Imports into Haiti from the United States of commodities to which the concessions apply were valued at $717,000 in 1954 (see table 2). Of the concessions, 9 consisted of reductions in the rates of duty, and 1 of the binding of the existing rate of duty.

The principal commodities on which the United States obtained concessions from Haiti were refrigerators and air-conditioning apparatus, including parts and accessories; biscuits and crackers; canned vegetables other than those preserved in vinegar; typewriters, dictaphones, duplicating machines, calculating machines, cash registers, and parts and accessories therefor; canned soups and bouillons; and oat cereals.

Italy

Concessions granted by the United States.—Imports from Italy into the

United States in 1954 were valued at 143.8 million dollars; dutiable imports accounted for 118.8 million dollars, and duty-free imports, for 25 million dollars (see table 1). In that year, United States imports from Italy of products on which the United States granted concessions to that country at Geneva were valued at 40 million dollars, or 27.8 percent of total imports and 33.7 percent of dutiable imports.

Virtually all the concessions that the United States granted to Italy at Geneva consisted of reductions of approximately 15 percent in the rates of duty involved. The principal products on which the United States granted concessions were cheese made from sheep's milk, canned tomatoes and tomato paste, piano accordions and parts, and vermouth. Other products on which the United States granted concessions to Italy included men's fur felt hats and hat bodies valued at more than $30 per dozen; calculating machines; aluminum household utensils; silk yarns, silk fabrics, and articles of silk; decorative earthenware and stoneware; and hats of straw or ramie.

Imports into the United States from Italy of products on which the United States granted concessions to other countries were valued at 10.8 million dollars in 1954.

Concessions obtained by the United States.—At Geneva, Italy granted the United States direct concessions on 76 items in the Italian tariff. Imports into Italy from the United States of products to which the concessions apply were valued at 39.1 million dollars in 1954 (see table 2).

Since 1950-51, the effective Italian rates of duty for most imported products have been lower than the statutory rates. The effective rates, which are temporary, are established by administrative decree on a year-by-year basis. In the negotiations at Geneva, Italy considered its offers in relation to the higher level of its statutory tariff. The United States, however, evaluated Italy's concessions on the basis of the effective rates. Of the 76 concessions that the United States obtained, 38 involved the reduction of the temporary (effective) rates of duty, 29 involved the binding of the temporary rates of duty, and 2 involved the elimination of temporary rates of duty of 10 percent and 5 percent ad valorem. For 7 items, Italy bound the rates of duty above the temporary level.

The principal commodities on which the United States obtained concessions from Italy were rolling mills and accessories; white oils, other lubricating oils, petroleum jelly, and solid paraffin; certain parts of machinery, appliances, and mechanical apparatus; certain tracklaying tractors; certain machines and equipment for metalworking and parts therefor; certain auxiliary equipment and accessories for boilers; styrene and other aromatic hydrocarbons; certain continuous-action mechanical conveyors; and lumber of Douglas fir, Southern pine, and Western hemlock.

Through the High Authority of the European Coal and Steel Community, Italy granted the United States concessions that had a trade value of 5.3 million dollars in 1954. These concessions, together with those that the

United States similarly obtained from France and the Federal Republic of Germany, are discussed at the end of this section of chapter 3.

Japan

Concessions granted by the United States.—Total imports into the United States from Japan in 1954 were valued at 276.1 million dollars; dutiable imports accounted for 208.6 million dollars, and duty-free imports, for 67.5 million dollars (see table 1). In that year, United States imports from Japan of commodities on which the United States granted concessions to that country at Geneva in 1956 were valued at 13.8 million dollars, or 5 percent of total imports and 6.6 percent of dutiable imports. These ratios were low because the United States had already conducted full-scale negotiations with Japan on the occasion of its accession to the General Agreement in 1955.

United States concessions to Japan at Geneva in 1956 applied to a wide variety of commodities. The most important products on which the United States granted concessions were fish-liver oils; certain wearing apparel of synthetic textile; certain floor coverings; silk handkerchiefs and woven mufflers, hemmed or hemstitched, valued at not more than $5 per dozen; fabrics and articles of beads, bugles, and spangles; cigar and cigarette lighters; and certain types of toys.

Imports into the United States from Japan of products on which the United States granted concessions to other countries were valued at 8.6 million dollars in 1954.

Concessions obtained by the United States.—In the negotiations at Geneva in 1956, Japan granted the United States direct concessions on 72 items in the Japanese tariff. Imports into Japan from the United States of commodities to which the concessions apply were valued at 18.1 million dollars in 1954, or about 2 percent of total imports from the United States in that year (see table 2). The concessions that Japan granted to the United States included further concessions on 32 tariff items that were included in the 1955 agreement with Japan, and new concessions on 40 tariff items that were not included in the 1955 agreement. On the basis of the value of Japanese imports from the United States in 1954, the Japanese concessions to the United States were about equally divided between bindings of existing duties against increase and reductions of existing rates of duty.

The principal commodities on which the United States obtained concessions from Japan at Geneva include polystyrene, polyethylene, and methylmethacrylic resins in the form of powder, lumps, flakes, and blocks; antibiotics other than penicillin, streptomycin, and chlortetracycline; certain boilerhouse plants, parts, and accessories; parts of apparatus for telegraphy and telephony (other than radio); certain automotive trucks, including trailer trucks; pulp mill machinery; certain dresses, suits, and overcoats, wool or mixed with other fibers; certain office machinery; and mixtures of alkyl-aryl-hydrocarbon oils.

Norway

Concessions granted by the United States.—Imports from Norway into the United States in 1954 were valued at 57.9 million dollars; dutiable imports accounted for 23.6 million dollars, and duty-free imports, for 34.3 million dollars (see table 1). In that year, United States imports from Norway of products on which the United States granted concessions to that country at Geneva were valued at 5.7 million dollars, or 9.9 percent of total imports and 24.2 percent of dutiable imports.

Most of the concessions that the United States granted to Norway at Geneva consisted of reductions of approximately 15 percent in the rates of duty involved. The principal products on which the United States granted concessions were canned fish and crude sperm oil. Other items on which the United States granted concessions included metallic magnesium scrap, pearl essence, granite, goat cheese, tissue paper, and cuprous oxide.

Imports into the United States from Norway of products on which the United States granted concessions to other countries were valued at 1.1 million dollars in 1954.

Concessions obtained by the United States.—At Geneva, Norway granted the United States direct concessions on 19 items in the Norwegian tariff. Imports into Norway from the United States of products to which the concessions apply were valued at 5.1 million dollars in 1954, or about 6 percent of total imports (85.6 million dollars) from the United States in that year (see table 2). The concessions that Norway granted to the United States included reductions in the rates of duty on 10 tariff items, transfer of 1 tariff item from the dutiable to the free list, binding of the existing rates on 6 tariff items, and binding of the duty-free status of 2 tariff items.

The principal commodities on which the United States obtained concessions from Norway included coal; self-propelled excavation machinery; certain technical apparatus for measuring and regulating; and cotton fabric, including duck. Other items on which the United States obtained concessions included parts for combustion engines; bulldozer equipment for tractors; roadbuilding machinery for coating with asphalt or concrete; and exposed motion-picture film.

Peru

Concessions granted by the United States.—Total imports into the United States from Peru in 1954 were valued at 97.6 million dollars. Of this amount, dutiable imports accounted for 51.4 million dollars, and duty-free imports, for 46.2 million dollars (see table 1). In that year United States imports from Peru of commodities on which the United States granted concessions to that country at Geneva were valued at 1.4 million dollars, or 1.4 percent of total imports and 2.7 percent of dutiable imports. Of the imports of concession items, $606,500 represented reductions in duty, and $801,700, bindings of existing rates of duty.

In the negotiations with Peru at Geneva, the United States granted that country reductions of approximately 15 percent in the rates of duty on cube, derris, tuba, or tube root, advanced in condition; coca leaves; and floor coverings of hair of the alpaca, guanaco, huarizo, llama, misti, and suri, valued at more than 40 cents per square foot. The United States also bound the existing rates of duty on whole swordfish, filleted swordfish, and bonito in brine.

Imports into the United States from Peru of products on which the United States granted concessions to other countries were valued at $88,000 in 1954.

Concessions obtained by the United States.—In the negotiations at Geneva, Peru granted the United States direct concessions on 9 items in the Peruvian tariff. Imports into Peru from the United States of commodities to which the concessions apply were valued at 1.2 million dollars in 1954, or about 1 percent of total imports from the United States in that year (see table 2). All the Peruvian concessions consisted of reductions in the ad valorem unified surtax, an import charge that is assessed in addition to the specific duties. For 2 items, the surtax was reduced from 11.667 to 11.5 percent, and for the 7 other items, from 13.667 to 12.5 percent.

The principal commodities on which the United States obtained concessions from Peru were water wheels and hydraulic turbines of any kind; certain electric accessories and apparatus; unexposed X-ray film; and edible refined cottonseed oil.

Sweden

Concessions granted by the United States.—Imports from Sweden into the United States in 1954 were valued at 75.7 million dollars; dutiable imports accounted for 29.3 million dollars, and duty-free imports, for 46.4 million dollars (see table 1). In that year, United States imports from Sweden of products on which the United States granted concessions to that country at Geneva were valued at 5.7 million dollars, or 7.5 percent of total imports and 19.3 percent of dutiable imports.

The principal concessions that the United States granted to Sweden at Geneva consisted of reductions in the rates of duty on iron and steel manufactures. Other items on which the United States granted concessions included cellulose compounds, metallic arsenic, red pine plywood, wooden furniture parts, bristolboard, silica brick, granite, crisp bread, and manufactures of wax. In balancing the agreement with Sweden, account was taken of a United States customs court decision under which certain Swedish crisp bread could no longer be imported into the United States free of duty, which was the customs treatment at the time the United States granted the concession to Sweden.

Imports into the United States from Sweden of products on which the United States granted concessions to other countries were valued at 8.5 million dollars in 1954.

Concessions obtained by the United States.—At Geneva, Sweden granted the United States direct concessions on 23 items in the Swedish tariff. Imports into Sweden from the United States of commodities to which the concessions apply were valued at 5.1 million dollars in 1954, or about 4 percent of total imports from the United States in that year (see table 2). In terms of items, about half of Sweden's concessions consisted of reductions in the rates of duty; the rest consisted of bindings of the existing rates of duty, bindings of duty-free treatment, or reductions in the ad valorem rates that may be imposed when the present specific duties are converted to ad valorem duties. For many items in the Swedish tariff there are two rates of duty—a specific rate that is now being applied, and an alternative ad valorem rate that Sweden reserves the right to apply at any time.

The principal products on which the United States obtained concessions from Sweden were artificial yarns of nylon or similar synthetic fibers; lampblack and carbon black; pneumatic, vacuum, or steam brakes for railway or tramway vehicles; electrical measuring instruments and parts; sawn or hewn wood of Oregon pine (Douglas fir); developed motion-picture film; certain riveting and wire-drawing machines; undressed furs of muskrat, opossum, raccoon, and skunk; matrices for printing presses; diamond grinding wheels; and screw taps, dies, and diestocks.

Turkey

Concessions granted by the United States.—Total imports into the United States from Turkey in 1954 were valued at 57.5 million dollars; dutiable imports accounted for 42.1 million dollars, and duty-free imports, for 15.4 million dollars (see table 1). In that year, United States imports from Turkey of commodities on which the United States granted concessions to that country at Geneva were valued at 35.4 million dollars, or 61.5 percent of total imports and 84.1 percent of dutiable imports.

The principal concession that the United States granted to Turkey at Geneva consisted of a reduction of approximately 15 percent in the rate of duty on Turkish-type unstemmed cigarette leaf tobacco. This concession accounted for almost all the trade coverage involved in the United States concessions.

Imports into the United States from Turkey of products on which the United States granted concessions to other countries were valued at $11,000 in 1954.

Concessions obtained by the United States.—In the negotiations at Geneva, Turkey granted the United States concessions on 25 items or subitems in the Turkish tariff. Imports into Turkey from the United States of commodities to which the concessions apply were valued at 3.7 million dollars in 1954, or about 5 percent of total imports from the United States in that year (see table 2). The concessions that Turkey granted to the United States consisted of reductions in the rates of duty on 20 tariff items, and bindings of the existing rates of duty on 5 tariff items.

The principal commodities on which the United States obtained concessions from Turkey included certain ice chests, ice-making machines, and refrigerating machines; certain automobiles (one of the largest items in the United States trade with Turkey); glycerin; sorting, classifying, and counting machines; factory, warehouse, and similar self-propelled trucks and tractors, and parts thereof; clothing, gloves, and footwear of asbestos, bitumen, and the like; lampblack; and passenger airplanes. The concession on certain ice chests, ice-making machines, and refrigerating machines consisted of the restoration of the most-favored-nation rates to such United States products; these rates had been withdrawn because of the United States escape-clause action on dried figs.

United Kingdom

Concessions granted by the United States.—Imports from the United Kingdom into the United States in 1954 were valued at 503.3 million dollars; dutiable imports accounted for 358.2 million dollars, and duty-free imports, for 145.1 million dollars (see table 1). In that year, United States imports from the United Kingdom of products on which the United States granted concessions to that country at Geneva were valued at 145.9 million dollars, or 29 percent of total imports and 40.7 percent of dutiable imports.

The concessions that the United States granted to the United Kingdom covered a wide range of products, including certain chemicals, certain pigments, soaps, china clay, tiles, various iron and steel products, manufactures of brass and bronze, silver-plated ware, electric motors, automobiles, airplanes, office machinery, tobacco machinery, biscuits, wafers, puddings, Scotch and Irish whiskies, mustard, cotton yarn, various linen products, wool wearing apparel, tissue paper, coated paper, filtering paper, golf and lawn tennis balls, leather, shoes, and certain jellies, jams, and marmalades. The concessions that the United States granted to the United Kingdom were largely in exchange for concessions granted to the United States by that country, but they also included some in compensation for an escape-clause increase in the United States rates of duty on bicycles.

Imports into the United States from the United Kingdom of products on which the United States granted concessions to other countries were valued at 19.4 million dollars in 1954.

At Geneva, the United States also granted concessions to the United Kingdom on behalf of the crown colonies of Hong Kong and the Bahamas (see table 1). United States imports from Hong Kong of the products on which the United States granted concessions to the United Kingdom were valued at 3.3 million dollars in 1954, or 27.8 percent of total imports and

34.4 percent of dutiable imports from Hong Kong in that year. Imports into the United States of products on which the United States granted concessions to the United Kingdom on behalf of the Bahamas were valued at $807,000 in 1954, or 28.1 percent of total imports and 81.7 percent of dutiable imports from the Bahamas in that year. The principal commodities imported from Hong Kong on which the United States granted concessions were wood furniture; baskets and bags of wood, cane, or reed; cane webbing and split or partially manufactured rattan; and manufactures of ivory. The principal product on which the United States granted a concession on behalf of the Bahamas was salt in bulk.

Concessions obtained by the United States.—In the negotiations at Geneva, the United Kingdom granted direct concessions to the United States on 74 items in the United Kingdom tariff. Imports into the United Kingdom from the United States of commodities to which the concessions apply were valued at 124.8 million dollars in 1954, or about 15 percent of total imports from the United States in that year (see table 2).

Most of the concessions that the United Kingdom granted to the United States at Geneva consisted of reductions in the rates of duty. All the reductions except one also resulted in reductions in the margins of preference on Commonwealth products. Of the items on which the margin was not reduced, the preferential rate remains the same as the most-favored-nation rate. The United Kingdom also bound the existing rates of duty on 7 tariff items, and the existing duty-free treatment on 1 tariff item.

Imports into the United Kingdom from the United States of products on which the United Kingdom granted concessions to other countries were valued at 9.6 million dollars in 1954.

The principal commodities on which the United States obtained concessions from the United Kingdom were metalworking machine tools and parts; aircraft and parts thereof; certain iron and steel sheets and plates; motor-vehicle engines and parts; grain sorghums; parts for power-operated excavating machines (including leveling machines) and lifting machines; exposed motion-picture film; parts of sewing machines; and certain radio, radar, and television transmitting and receiving sets. The United Kingdom bound the duty-free status of maize in grain, other than flat white. Imports of this commodity into the United Kingdom from the United States in 1954 were valued at 51.7 million dollars.

At Geneva, the United Kingdom also granted concessions to the United States on behalf of the crown colonies of Hong Kong and the Bahamas. Imports into Hong Kong from the United States of products on which Hong Kong granted concessions to the United States were valued at 4.6 million dollars in 1954. Hong Kong bound the existing duty-free treatment of 4 tariff items—wheat meal and flour, certain fresh citrus fruits, fresh grapes, and cottonseed oil. It also bound the existing duty treatment of imported toilet preparations and proprietary medicines at a rate no higher than the excise tax levied on similar products manufactured in Hong Kong.

Imports into the Bahamas of products on which the Bahamas granted concessions to the United States were valued at $409,000 in 1954. The Bahamas reduced the rates of duty on bacon and hams, pickled or salted beef and pork, and other salted and cured meats. The reduction of the general rate of duty on bacon and hams resulted in a slight reduction in the margin of preference.

High Authority of the European Coal and Steel Community

Concessions granted by the United States.—Besides the concessions that the United States granted directly to the various countries with which it negotiated at Geneva, the United States agreed to reduce its duties on certain steel products in the course of negotiations with the High Authority of the European Coal and Steel Community. The High Authority acted on behalf of the member states of the Community—Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands. The primary beneficiaries of the reductions in duties are the Benelux countries, which are the principal member exporters of steel to the United States. France and Germany, however, also derive benefit from the concessions. United States imports from the member countries of products on which the United States granted concessions to the Community were valued at 17.1 million dollars in 1954 (see table 1).

The principal concessions that the United States granted in the negotiations with the High Authority of the European Coal and Steel Community were a reduction from 10 percent to 8-1/2 percent ad valorem in the rate of duty on certain steel bars; a reduction of 15 percent in the rate of duty on certain types of wire rods; and a reduction from 12-1/2 percent to 10-1/2 percent ad valorem in the rate of duty on certain steel bands and strips.

Concessions obtained by the United States.—In return for the concessions that the United States granted, the High Authority of the European Coal and Steel Community—acting in its capacity as agent for its 6 member countries—granted the United States concessions on 6 items and subitems in the French tariff, 6 items in the West German tariff, and 46 items in the Italian tariff. Imports into France, West Germany, and Italy from the United States of the products on which the United States obtained concessions from the Community were valued at 9.7 million dollars in 1954 (see table 2).

Imports into France from the United States of the iron and steel products on which France granted concessions to the United States through the Coal and Steel Community were valued at 2.6 million dollars in 1954. The principal commodities on which the United States obtained concessions were magnetic sheets of alloyed or high-carbon steels. The rate of duty on such sheets, which accounted for trade valued at 2.5 million dollars in 1954, was reduced from 22 percent to 18 percent ad valorem.

Imports into the Federal Republic of Germany of the iron and steel products on which West Germany granted concessions to the United States through the Community were valued at 1.8 million dollars in 1954. The principal products on which the United States obtained concessions were certain hot- or cold-rolled plates or sheets of iron or steel. The rates of duty on such plates or sheets, which accounted for trade valued at more than 1.7 million dollars in 1954, were reduced from 22 percent to 15 percent ad valorem.

Imports into Italy of the iron and steel products on which Italy granted concessions to the United States through the Community were valued at 5.3 million dollars in 1954. The principal commodities on which the United States obtained concessions, together with the value of imports of such commodities into Italy from the United States in 1954, were as follows: Tin plate, 1.7 million dollars; certain common steel plates or sheets, other than magnetic, about 1 million dollars; and magnetic sheets, $471,000. The Italian concessions are to be made effective in two stages. The first stage will apply until April 30, 1957; thereafter, the second stage will apply.

NEGOTIATIONS DURING 1955-56 UNDER ARTICLE XXVIII OF THE GENERAL AGREEMENT

During 1955–56, a number of contracting parties to the General Agreement conducted renegotiations among themselves, under the provisions of article XXVIII of the General Agreement, of various tariff concessions that they had granted at Geneva in 1947, at Annecy in 1949, or at Torquay in 1951.

Article XXVIII of the General Agreement, as amended, provided that contracting parties might, after June 30, 1955,[22] modify or terminate any tariff concession that they had granted, without joint action by the Contracting Parties. A contracting party desiring to do so, however, was first required to negotiate with the contracting party with which the concession was initially negotiated, and to consult with other contracting parties that had a substantial interest in the concession. In such renegotiations, provision might be made for compensatory concessions with respect to other products. If, in the renegotiations, agreement could not be reached between the parties concerned, the concession in question might neverthless be withdrawn or modified. However, the country with which the concession was initially negotiated and the countries that had a substantial interest in it might thereupon themselves withdraw concessions substantially equivalent to those that were withdrawn from them.

[22] The date originally was January 1, 1951. At Torquay, the Contracting Parties extended the assured life of the tariff concessions in the General Agreement until January 1, 1954. At their Eighth Session in 1953, the Contracting Parties again extended the assured life of the concessions until July 1, 1955.

During the review of the General Agreement at their Ninth Session, the Contracting Parties extended the assured life of the tariff concessions by changing—to December 31, 1957—the date after which modifications in concessions might be made under article XXVIII without joint action by the Contracting Parties. Under the provisions of article XXVIII and the procedure established by the Contracting Parties at their Ninth Session, however, individual contracting parties were permitted—before agreeing to the amendment of article XXVIII—to renegotiate individual tariff concessions that they had previously granted. Countries were required to notify the Contracting Parties by June 30, 1955, of their intention to undertake such renegotiations.

During 1955, a number of countries notified the Contracting Parties that they intended to withdraw or modify—under the provisions of article XXVIII—certain concessions that they had granted in the General Agreement. These countries were Austria, Belgium (for the Belgian Congo and Ruanda-Urundi), Canada, Ceylon, Cuba, the Dominican Republic, Finland, France, Greece, India, Italy, the Netherlands, New Zealand, Nicaragua, Pakistan, Peru, Sweden, and the Union of South Africa. The notifications by all these countries related—at least in part—to concessions that they had initially negotiated with the United States or to concessions in which the United States had a trade interest. The negotiations originally were to have been completed by September 30, 1955, but were not actually finished until the spring of 1956.

By June 30, 1955, the end of the period covered by the Commission's eighth report on the operation of the trade agreements program, two of the countries that initiated action under article XXVIII at Geneva—Belgium (for the Belgian Congo and Ruanda-Urundi) and Canada—had completed their renegotiations. Belgium modified its concessions on 3 items, and Canada, on 2 items. In return, each country granted compensatory concessions on other articles, as envisaged in article XXVIII, to offset the loss of benefits both by the country to which the concessions originally had been granted and by other countries that had a substantial interest in them. The renegotiations under article XXVIII by Belgium and Canada were discussed in the Commission's eighth report on the operation of the trade agreements program.[23]

During the period covered by this report, the 16 additional countries that initiated action under article XXVIII during 1955 completed their renegotiations. These countries were Austria, Ceylon, Cuba, the Dominican Republic, Finland, France, Greece, India, Italy, the Netherlands, New Zealand, Nicaragua, Pakistan, Peru, Sweden, and the Union of South Africa. At the fourth round of tariff negotiations sponsored by the Contracting Parties to the General Agreement, the United Kingdom and the United

[23] See *Operation of the Trade Agreements Program* (eighth report), pp. 94–95.

States also negotiated under the provisions of article XXVIII for the modification of several concessions they had granted in the General Agreement. At the same time that the renegotiations under article XXVIII were taking place, negotiations by two other countries—the Netherlands Antilles and Turkey—were carried out under the "sympathetic consideration" procedure established by the Contracting Parties at their Eighth Session in 1953. For convenience, and because of their similarity to article XXVIII negotiations, the "sympathetic consideration" negotiations of the Netherlands Antilles and Turkey are discussed below with the article XXVIII negotiations.

Because negotiations by a particular country under the provisions of article XXVIII involve not only the country with which the concession in question was initially negotiated, but also such other contracting parties as have a substantial interest in the concession, the negotiations often are extremely complex. In this discussion only the main outlines of the negotiations can be summarized. For further details of the negotiations and the schedules of specific commodities involved, the reader should consult the various reports issued by the Department of State.[24]

Austria

In connection with a complete revision of its tariff laws, Austria modified or withdrew under article XXVIII some 100 concessions that it had granted when Austria acceded to the General Agreement at Torquay in 1951. The United States had a recognized interest in 25 of these concessions; 13 of them were concessions that Austria had initially negotiated with the United States, and 12 related to commodities of which the United States was a principal supplier. Several of the increases in duty were substantial on products—such as certain precision instruments, prepared medicines, and typewriters—of which imports from the United States have been significant in recent years. Most of the new rates, which are higher than those applied to the affected products before Austria granted the original concessions in the General Agreement, were re-bound. The value of United States trade with Austria in 1954 in the 25 items in which the United States had an interest

[24] U. S. Department of State, *General Agreement on Tariffs and Trade: Analysis of Renegotiation of Certain Tariff Concessions,* India, Netherlands Antilles, New Zealand, Nicaragua and Pakistan, Pub. 6201 (Commercial Pol. Ser. 154), 1955; Italy, Peru, Union of South Africa and Turkey, Pub. 6001 (Commercial Pol. Ser. 152), 1955; Austria, Ceylon, Cuba, the Netherlands and Sweden, Pub. 6291 (Commercial Pol. Ser. 156), 1956; and Dominican Republic, Finland and France, Pub. 6324 (Commercial Pol. Ser. 157), 1956. For a résumé of the Greek-United States article XXVIII negotiations, see *Department of State Bulletin,* vol. 35, No. 890, July 16, 1956, p. 117. For the renegotiations by the United Kingdom and the United States at Geneva in 1956, see U. S. Department of State, *General Agreement on Tariffs and Trade: Analysis of United States Negotiations, Sixth Protocol (Including Schedules) of Supplementary Concessions,* Pub. 6348 (Commercial Pol. Ser. 158), 1956.

was $509,000, 90 percent of which was accounted for by 6 items—precision instruments, elastic woven goods, prepared medicines, typewriters, certain roller bearings, and certain canned vegetables. The value of the trade would no doubt have been larger except for Austria's restrictions on imports of dollar goods, and its commitments under bilateral arrangements.

As compensation for these withdrawals and increases in duty, Austria made new or additional concessions to the United States. In terms of the rates in effect at the time of the negotiations, these concessions reduced the duties on 25 tariff items for which United States trade with Austria in 1954 was valued at $257,000; bound at the existing level 5 tariff items for which the United States trade with Austria in 1954 was valued at 1.1 million dollars; and increased the duty on 1 item (bourbon whisky) for which Austrian trade with the United States in 1954 was valued at $3,000.

Total United States trade with Austria in 1954 in the items on which the United States obtained compensatory concessions was 1.4 million dollars, 80 percent of which was accounted for by the binding of the duty-free status of inedible vegetable oils other than linseed oil. In terms of Austrian trade with the United States in 1954, the most important of the other items on which the United States obtained compensatory concessions were certain calculating machines, lemons, dried figs for the manufacture of coffee substitutes, and vegetable waxes, on which moderate reductions in duty were made; and certain fruit and vegetable juices and poultry livers, on which relatively substantial reductions in duty were made. Fifteen of the items on which the United States obtained compensatory concessions either are not separately reported in the statistics or are items in which Austria had no trade with the United States in 1954. Austria has recently liberalized dollar trade in more than half the 25 items on which the United States obtained compensatory concessions.

Ceylon

Under the provisions of article XXVIII, Ceylon withdrew its tariff concession on glass and glassware, which it had initially negotiated with the United States. The United States also had an interest in Ceylon's withdrawal of its concessions on canned fruit and pumping machinery and parts—concessions which had been initially negotiated with other countries. Ceylonese imports of these three items from the United States in 1954 were valued at approximately $65,000.

To compensate the United States for the withdrawal of these concessions, Ceylon substantially reduced the rate of duty on rosin, imports of which from the United States were valued at $125,000 in 1954. The United States also benefits indirectly from Ceylonese concessions to other countries involving a reduction in the rate of duty on certain wireless goods and parts.

Cuba

In its renegotiations under article XXVIII, Cuba increased and re-bound the rates of duty on 42 tariff items that it had initially negotiated with the United States. Imports of these items into Cuba from the United States in 1953 were valued at approximately 8 million dollars. The principal items on which Cuba increased the rates of duty were automobile and truck tires (except solid) and tubes; carbon paper and certain other treated papers; towels and napkins and certain other paper manufactures; engravings, lithographs, and the like, including cinema posters; sodium silicate, sodium sulfate, calcium chloride, aluminum sulfate, and alum; steel reinforcing bars; cotton blankets of napped fabrics, except unbleached; tulles and knit fabrics, in the piece or made up into certain articles, of nylon, orlon, dacron, or similar yarns; patent leather; phonograph records; paint brushes and artists' brushes; and cement roofing tile and plates.

As compensation to the United States for these increases in rates of duty, Cuba reduced the rates of duty on 23 tariff items below the level at which they had previously been bound to the United States, and granted the United States a new concession on 1 item. Cuba's imports of these 24 items from the United States in 1953 were valued at about 10.8 million dollars. The compensatory items on which Cuba reduced the rates of duty included 7 for which duty-free customs treatment was negotiated. These items, which accounted for an aggregate of 1.3 million dollars' worth of imports from the United States in 1953, are as follows: Fine steel tools and implements for arts, crafts, and professions, and also certain other tools and implements; sulfur, potassium sulfate, potassium chloride, and anhydrous ammonia; and recorded tapes for use in making phonograph records. Another important concession took the form of a single reduced rate of duty on all belting for power transmission. In terms of trade value, the other more important items on which the United States obtained duty reductions from Cuba were motors and pumps of all kinds; chassis for trucks, buses, and trailers; parts and accessories for certain industrial and other machinery, instruments, and apparatus, for motors, and for steam-generating boilers; and bicycles and velocipedes, including parts and accessories. Minor concession items included synthetic essential oils, corn flakes, and motion-picture projection apparatus and parts and accessories, including sound equipment but not tubes.

Dominican Republic

Under the provisions of article XXVIII, the Dominican Republic modified three concessions—relating to varnishes and paints—that it had initially negotiated with the United States. With respect to varnishes, the modification was a technical one; it consisted of breaking this "basket" item in the Dominican tariff into a number of categories, without increasing the duty on any component part. With respect to paints and pigments, the Dominican

Republic made a similar technical revision, but increased the duties. Imports of paints and pigments into the Dominican Republic from the United States in 1954 were valued at $559,000.

To compensate the United States for the increased rates of duty on paints and pigments, the Dominican Republic granted concessions to the United States on 11 tariff items. Imports of these items into the Dominican Republic from the United States in 1954 were valued at $543,000. The principal products on which the Dominican Republic granted compensatory concessions were cigarette tobacco, wheat semolina, certain types of fountain pens, and tarpaulins.

Finland

In its renegotiations under article XXVIII, Finland increased and rebound the rates of duty on 17 tariff items on which it had initially negotiated with the United States at Annecy and Torquay. Imports of these products into Finland from the United States in 1954 were valued at approximately $600,000. The principal products involved were compressors and air pumps, certain machinery and apparatus, certain fruit preserves and preparations, and certain transmission and conveyor belts.

As compensation to the United States for these tariff increases, Finland reduced the rates of duty on 2 tariff items and granted new concessions to the United States on 9 other items. Imports of these items into Finland from the United States in 1954 were valued at $819,000. The principal products involved were certain tinned sheet iron and steel, certain lubricating oils, washing machines, outboard motors, spark plugs, and certain blades and knives for machines.

France

Under the provisions of article XXVIII, France increased the rates of duty on 14 tariff items. Among these items were fruit and vegetable juices, nitrogenous fertilizers, vulcanized rubber thread, and aluminum foil, on which France had originally negotiated concessions with the United States. According to French statistics for 1953 (the latest available at the time of the negotiations), the United States had trade with France in only 1 of these items—unsweetened fruit and vegetable juices; French imports of these products from the United States in that year were valued at $283,000. In the negotiations, France increased the rate of duty on unsweetened juice of lemons, apples, and pears from 10 percent to 30 percent ad valorem. The lack of United States trade with France in the other commodities may have resulted from French restrictions on dollar trade.

To compensate the United States for these increases in rates of duty, France agreed not to seek additional compensation for the withdrawal by the United States in 1955 of its tariff concession on bicycles. French exports of bicycles to the United States in 1954 were valued at 1.8 million dollars. France also reduced its rates of duty on tantalum in powder, bars, wire, sheets, strips, or foil; on gold foil; and on oranges entering France during certain periods of the year. Complete statistics on United States trade with France in these items are not available, but it is estimated that such trade, the bulk of which was in oranges, exceeded 1 million dollars in 1953.

Greece

In its renegotiations under article XXVIII, Greece modified the concessions it had granted on 59 tariff items under the General Agreement. Only 1 of these items—that on trucks and their trailers—had been initially negotiated with the United States. Imports of trucks and their trailers into Greece from the United States in 1954 were valued at $430,000. Imports of the other 58 items from the United States in that year had an estimated value of 2.5 million dollars; the most important of these items were galvanized sheet iron, certain textiles, and lumber.

Greece had proposed to increase the basic rate of duty on trucks and their trailers from 3 percent to 10 percent ad valorem. In the negotiations between Greece and the United States, Greece agreed to break down the original category of "trucks and their trailers" into four separate tariff categories. It agreed that the basic rate on "trucks with driver's cabs only" —which category accounts for virtually all imports of trucks from the United States—would be increased from 3 percent to 6 percent. The basic rate on "trucks and their trailers" was increased to 10 percent, but the words "not elsewhere specified" were added as a safeguard against future specification of additional types of trucks separately at higher rates of duty. Greece also agreed not to increase the basic rate of duty on "panel trucks" (widely used in Greece as passenger vehicles) above 15 percent ad valorem—the rate applicable to passenger automobiles with similar characteristics. The existing rate applied to "panel trucks" is 10 percent ad valorem.

As compensation to the United States, Greece liberalized its tariff treatment of passenger automobiles weighing more than 800 kilograms. Previously, the dividing line between a duty of 15 percent ad valorem and one of 23 percent ad valorem was an f.o.b. value of $1,300. In the negotiations, Greece agreed to raise the ceiling for the 15-percent category to $1,400, thus increasing the number of types of United States automobiles eligible for the 15-percent duty. Imports into Greece of automobiles from the United States in 1954 were valued at about 2 million dollars.

Besides benefiting from the compensatory concession on passenger automobiles, the United States will also benefit from the compensatory concessions that Greece granted to other countries in the course of renegotiating the other 58 tariff items mentioned above.

India

In its renegotiations under article XXVIII, India withdrew its concession on certain coal-tar dyes in one tariff classification, a concession it had initially negotiated with the United States and Germany. It also withdrew its concession on certain other coal-tar dyes in another tariff classification—a concession which had been initially negotiated with Germany and Czechoslovakia, but in which the United States had a trade interest. The withdrawals do not affect the entire range of dyes covered by the original concessions on the 2 classifications, but only 14 specific dyes included in the classifications. Imports into India from the United States during the fiscal year 1953–54 of the products on which concessions were withdrawn from the United States were valued at $343,000. Imports from the United States of products on which concessions were withdrawn from other countries were valued at 1.6 million dollars.

As compensation to the United States for the withdrawals, India bound, at rates substantially below the present legal rates, the duties on certain patent foods and on surgical and scientific instruments, apparatus, and appliances; the reduced rate on instruments, apparatus, and appliances is the rate that has been effective for several years. In addition, India bound to Germany the present rate of duty (10 percent ad valorem) on coal-tar intermediates. Trade statistics are not available for all the items on which India granted compensatory concessions. However, imports into India from the United States during the fiscal year 1953–54 of surgical and scientific instruments were valued at $483,000; those of coal-tar intermediates were valued at $73,000.

Italy

Under the provisions of article XXVIII, Italy increased—from 7 percent to 15 percent ad valorem—the rate of duty on typesetting and typefounding machines and parts thereof, an item on which it had initially negotiated with the United States. Imports of such machines into Italy from the United States in 1954 were valued at $554,000.

To compensate the United States for this increase in duty, Italy reduced the rate of duty on punchcard machines (used in making and reporting accounting and statistical calculations) from 15 percent to 7 percent ad valorem, and that on parts for such machines from 20 percent to 12 percent ad valorem. United States exports of punchcard machines to Italy in 1954 were valued at $871,000. Exports of parts of punchcard machines are not separately reported in the statistics.

Netherlands

In its renegotiations under article XXVIII, the Netherlands modified its tariff concession on oranges and mandarins—initially negotiated with the

United States—to permit these products to be imported into the Netherlands, during the period August 1 to October 14, at a preferential duty-free rate from the Belgian Congo, other Belgian territories in Africa, and the Netherlands overseas parts of the realm. Exports of oranges and mandarins from the United States to the Netherlands during August, September, and October 1954 were valued at $644,000.

As compensation to the United States for the modification of this concession, the Netherlands extended to the United States, in its own right, a binding of its rates of duty on almonds, hazelnuts (filberts), and walnuts—rates which had already been bound to other countries in the General Agreement. This joint binding gives the United States the compensatory rights of an initial negotiator—rights which would be valuable should the concessions on these items be modified at some future time. Netherlands imports of these tree nuts from the United States in 1954 were valued at $796,000.

Netherlands Antilles

Under the "sympathetic consideration" procedure established at the Eighth Session of the Contracting Parties, negotiations were carried out during 1955 for the complete revision of section D (the Netherlands Antilles schedule) of the General Agreement schedule of the Benelux Customs Union. The revised tariff schedule embodies, for the most part, higher rates of duty than those previously existing. The rates on a number of products, however, were reduced or bound at the previous level, and a number of products not previously covered by the schedule were added to the revised schedule at reduced rates or with bindings of moderate rates. The rates in the revised schedule are still generally low; there are few specific rates, and many products are dutiable at 4.5 or 6 percent ad valorem. Netherlands Antilles duties are collected on an f.o.b. factory basis. Total imports into the Netherlands Antilles from the United States in 1953 were valued at approximately 78.5 million dollars. Of this total trade, imports valued at about 30.2 million dollars (38.5 percent) were covered by the bound rates of the old schedule. In the revised schedule, rates were increased and re-bound to the United States at a higher rate on items valued at more than 10 million dollars—or about one-third of the United States trade covered by the old schedule.

To compensate the United States for these increases in duty, the Netherlands Antilles reduced rates of duty bound under the old schedule on products that had been imported from the United States to the value of $650,000 in 1953. In addition, the Netherlands Antilles reduced rates of duty on products, not included in the old schedule, the imports of which from the United States were valued at $816,000 in 1953, and it bound the rates of duty on other articles the imports of which from the United States were valued at more than 3 million dollars in 1953. In the negotiations, the Netherlands Antilles also granted compensatory concessions to other countries. Imports into the Netherlands Antilles from the United States in 1953 of products on which compensatory concessions were made to other countries were valued at about $300,000.

New Zealand

Under the provisions of article XXVIII, New Zealand withdrew its concessions on 8 tariff items, 1 of which it had initially negotiated with the United States. The withdrawal of the United States concession—that on mufflers, pistons, and cylinder sleeves for certain engines—did not affect the rest of the broad concession covering such engines. Imports into New Zealand from the United States in 1952 of the products on which the concession was withdrawn had an estimated value of $39,000. The principal products involved in the withdrawals of concessions initially negotiated with other countries included .22-caliber cartridges, plain nonferrous wire, printed matter, and certain leather manufactures. New Zealand imports from the United States in 1952 of products covered by the concessions withdrawn from other countries were valued at $72,000.

As compensation to the United States for the withdrawals, New Zealand granted 4 concessions to the United States. On 3 of these items (vegetable turpentine, rosin, and green or sun-dried fur skins), New Zealand removed the 3-percent primage tax and re-bound the items duty free. On the other item—electric motors up to 25 hp.—New Zealand bound the current rate of duty (20 percent). New Zealand also granted a binding on these motors to two other countries, bound the preferential rate on another item (confectionery) that had already been bound in the General Agreement, and bound directly to another country 2 other items also previously bound in the General Agreement. Since it was not possible to obtain a commitment from New Zealand as to the action it would take with respect to duties on the items being withdrawn, compensation was obtained on articles the volume of trade in which exceeded the trade in articles on which concessions were being withdrawn. Imports into New Zealand from the United States in 1952 of products on which New Zealand granted compensatory concessions to the United States were valued at $334,000; and imports of those on which New Zealand granted compensatory concessions to other countries were valued at $2,000.

Nicaragua

In its renegotiations under article XXVIII, Nicaragua increased the rates of duty on 14 tariff items on which it had initially negotiated with the United States. Exports of these products to Nicaragua from the United States in 1953 were valued at $959,000. The products involved were certain flavoring preparations; rayon hosiery and certain rayon fabrics;

calculating machines and parts; typewriters and parts; evaporated, condensed, and powdered milk and cream; and small radio sets and parts. Nicaragua also increased the rates of duty on a number of tariff items on which it had initially negotiated with other countries; the items included marble, glass, plywood, brandy, whisky, sparkling wine, and textiles. Total United States exports of these items to Nicaragua in 1953 were valued at about $67,000.

To compensate the United States for withdrawals of concessions, Nicaragua, reduced the rates of duty on 11 tariff items—including certain medicinals and pharmaceuticals, X-ray equipment, and fountain pens—and granted new concessions to the United States on 2 tariff items—trucks and jeeps. United States exports to Nicaragua of these compensatory items in 1953 were valued at 2.6 million dollars. Nicaragua also granted compensatory concessions to other countries—in the form of either reduced duties or new concessions—on textiles, newsprint, sewing machines, bicycles and parts, motorcycles and parts, tires and tubes, and other articles. United States exports to Nicaragua in 1953 of all items on which Nicaragua granted compensatory concessions to other countries were valued at approximately $409,000. The principal items involved were tires and tubes, newsprint, sewing machines, and sardines.

Pakistan

Under the provisions of article XXVIII, Pakistan withdrew, in whole or in part, the concessions on 5 tariff items on which it had initially negotiated with the United States. It also increased the rate of duty on 1 item—a rate initially negotiated with France—in which the United States had no trade interest. Of the 5 concessions it initially negotiated with the United States, Pakistan withdrew entirely those on canned vegetables and certain paints. It withdrew parts of 3 other concessions. The part on razor blades was withdrawn from the concession that originally covered safety razors and parts; that on typewriter ribbons was withdrawn from the concession that embraced component parts of typewriters; and that on fountain pens with a c.i.f.[25] value of not more than 5 rupees each ($1.50) was withdrawn from the concession covering fountain pens of any value. Imports into Pakistan from the United States in 1954 of the 5 items that Pakistan withdrew were valued at approximately $12,000.

As compensation to the United States for these withdrawals, Pakistan bound its present duty-free treatment of wheat. It also bound, at rates below the present statutory rates, the duties on certain antimalarial drugs, electric generating sets, and thermoplastic and thermosetting molding powders. The bound rates on these 3 items are higher than the present effective rates; the effect of the concessions is to place a ceiling on the extent

[25] Cost, insurance, and freight.

to which these duties may be increased unilaterally by Pakistan. Pakistan also bound against increase the existing margin of preference of 6 percent ad valorem on canned vegetables, the binding of the most-favored-nation rate on which was withdrawn. Pakistan also agreed to revise the language of the note in its schedule of the General Agreement regarding the margin of preference on unmanufactured tobacco. The revision will confirm the fact that the preference rates formerly applicable to tobacco of British colonial and Burmese origin have been eliminated and cannot be restored. The trade coverage of Pakistan's compensatory concessions can be determined from available statistics only for wheat and tobacco. Imports of wheat into Pakistan from the United States in 1954 were valued at 1.7 million dollars, and those of unmanufactured tobacco, at 1.4 million dollars.

Peru

In its renegotiations under article XXVIII, Peru withdrew 59 concessions that it had granted at Torquay, and modified 2 others. The items on which Peru withdrew concessions included 21 on which it had initially negotiated with the United States; the rest of the concessions had been initially negotiated with one or more of the following countries: The Benelux Customs Union, Canada, Czechoslovakia, France, and the United Kingdom. The 2 concessions that Peru modified were initially negotiated with the United States. Imports into Peru from the United States in 1954 of products affected by the withdrawals and modifications were valued at 7.6 million dollars. The affected products included a wide range of manufactured products and food products. Principal among them were certain iron and steel tubes or pipes; certain textiles; sanitary ware; tin caps for bottles and flasks; copper sulfate; water softeners, detergents, and like products for use in treating textiles; certain kinds of copper wires and cables; certain electrical cells and storage batteries; certain iron and steel sheets, bars, and beams; and chewing gum.

To compensate for the withdrawals and modifications, Peru granted to the United States concessions on 67 tariff items, and to other countries concessions on 23 items. Imports into Peru from the United States in 1954 of products on which Peru granted compensatory concessions to the United States were valued at 12.7 million dollars. Imports into Peru from the United States in 1954 of products on which Peru granted compensatory concessions to other countries were valued at approximately $584,000.

The Peruvian compensatory concessions consist of bindings of the specific rates of duty and reductions in the unified surtax, in most instances from 13.667 percent ad valorem (based on c.i.f. value) to 12.5 percent. In view of the low incidence of the specific part of the duty, the reduction in the unified surtax is actually a substantial reduction in the overall duty on many of the items to which the concessions apply. The duty reductions average

6.4 percent. The direct and indirect compensatory bindings and duty reductions apply to a wide range of United States manufactures, including antibiotics, electrical equipment, chemical products, fabricated metallic products, machinery, farm products, plastics, and a large variety of other products.

Sweden

Under the provisions of article XXVIII, Sweden increased and re-bound the rates of duty on fresh apples and fresh pears entering Sweden during certain periods of the year. It had initially negotiated concessions on these products with the United States at Annecy in 1949. Inasmuch as imports of these products into Sweden were subject to quantitative restrictions until January 1955, the magnitude of United States trade interest in them cannot be measured precisely. However, Sweden's imports of fresh apples and pears from the United States during the months the modified rates would apply were valued at $613,000 in 1952, at $169,000 in 1953, and at $129,000 in 1954. The increases in duty were substantial, especially for fresh apples entering in the months of January and February. Formerly apples entered Sweden during January at a rate equal to about 8 percent ad valorem (based on the value of imports from the United States in 1954); during February they entered free of duty. Now apples entering during those months are dutiable at a rate equal to about 19 percent ad valorem.

As compensation to the United States for these increases in rates of duty, Sweden modified certain other concessions it had made to the United States in the General Agreement. It reduced the duty on canned apricots, peaches, pears, and mixed fruits from a rate equal to about 20 percent ad valorem to a rate equal to about 17 percent ad valorem. Sweden's imports of these canned fruits from the United States in 1954 were valued at $807,000. Milled rice, formerly dutiable at a rate equal to about 2 percent ad valorem, was made free of duty. Sweden's imports of milled rice from the United States in 1954 were valued at $543,000. Sweden's reservation in the General Agreement, which permitted Sweden to abolish the present effective specific rate on walnuts and pecans at any time and to establish an ad valorem rate of 20 percent, was modified to permit Sweden to establish an ad valorem rate of 10 percent. The specific rate on walnuts and pecans, however, remains unchanged. Imports of walnuts and pecans into Sweden from the United States in 1954 were valued at $57,800.

Turkey

In June 1954 Turkey informed the Contracting Parties to the General Agreement that it had enacted a new tariff law. The new tariff, which employed the nomenclature and definition of customs value laid down by the Brussels Convention, was based essentially on ad valorem duties, rather than the former specific duties. Turkey stated that it was making the new law effective—except the rates of duty bound in its schedule of the General Agreement—and that it wished to reach agreement on the bound rates, and to make them effective at the earliest possible moment. At their Ninth Session in 1954–55, the Contracting Parties agreed to consider Turkey's request for the conversion of its bound rates under the "sympathetic consideration" procedure developed at the Eighth Session, and accordingly authorized Turkey to enter into negotiations with the interested contracting parties.

Since the United States was one of the principal interested contracting parties, it consulted with Turkey on the matter. The United States considered that, by and large, the Turkish proposals were reasonable, in view of the generally low level of the new tariff and since—in the process of converting from specific to ad valorem duties—the increases in the bound rates on some of the items were largely offset by reductions on other items. The United States felt, however, that the proposed ad valorem rates on certain items of particular interest to the United States—such as tires and tubes, photographic film, passenger cars, and automobile chassis and parts—should be lower. In the course of the consultations, Turkey agreed to reduce some of the proposed ad valorem rates. The United States then informed Turkey that it had no objection to Turkey's proceeding with the conversion of the schedule.

Union of South Africa

In its renegotiations under article XXVIII, the Union of South Africa withdrew its concessions on 15 tariff items and increased the rates of duty on 2 others. Three of the items on which the concessions were withdrawn —lard and other edible meat fats, industrial gloves, and barbed-wire fencing —had been initially negotiated with the United States. The United States also had a substantial trade interest in 2 of the items on which South Africa had initially negotiated with other countries—rayon staple fiber and artificial and synthetic resins in bulk (both free-list items)—on which the rates of duty were bound at a ceiling of 20 percent ad valorem. South Africa's imports from the United States in 1953 of the items on which it withdrew concessions or increased the rates of duty were valued at approximately $878,000.

As compensation for its withdrawals and modifications, South Africa granted further concessions on 8 tariff items in its schedule of the General Agreement, and new concessions on 9 items. Of these 17 concessions, 14 involved removal or reduction of the duty, 2 were duty-free bindings, and 1 was the binding of a ceiling rate. One of these concessions—that on transmission chains in uncut lengths—was made to the United States. The principal items of interest to the United States on which South Africa granted concessions to other countries include wooden railway or tramway sleepers, vegetable turpentine, certain sausage casings, certain unmanufactured wood, and cigars and cigarillos. South African imports from the United States in 1953 of the items on which it granted compensatory concessions to the United States and other countries were valued at approximately 1.3 million dollars. Of this total, 1 million dollars was accounted for by railway sleepers. Before the article XXVIII negotiations, such products were dutiable at 3 percent ad valorem, but substantially all imports from the United States were for Government stores and were therefore not dutiable. In the article XXVIII negotiations, railway sleepers were transferred to the free list.

United Kingdom

In its article XXVIII negotiations, the United Kingdom modified its tariff concessions on the following 4 items: Certain iron and steel bars and rods, hot finished seamless tubes and pipes of plain carbon steel, certain wearing apparel of silk or artificial silk, and certain women's handbags.

The first 2 of these items had not been initially negotiated with the United States. Although the United States exports some such products to the United Kingdom, these exports were found to be of different values or composition from the steel products on which the United Kingdom was renegotiating. The United States, therefore, expressed no interest in them.

The second 2 items had been wholly or partly negotiated with the United States, and were of interest to this country. On both of these items, however, the United States was satisfied that the new rates of duty established in the renegotiations would be more favorable to it than the old ones. United States exports of the products in question are of high value and enter the United Kingdom under alternative ad valorem minimum rates—which were reduced in the renegotiations—rather than at specific rates, which (for the wearing apparel) were increased in the renegotiations. Imports into the United Kingdom from the United States in 1954 of the silk or artificial silk wearing apparel and the women's handbags involved in the renegotiations were valued at about $110,000.

United States

In its renegotiations under article XXVIII, the United States increased and re-bound the rates of duty on two tariff items on which it had granted concessions under the General Agreement—liquid sugar and certain fur felt hats and hat bodies.

Liquid sugar

The renegotiation with respect to liquid sugar was designed to permit equalization between the rates of duty applicable to liquid sugar and those applicable to dry crystalline sugar. The renegotiation was conducted with Cuba and the Dominican Republic, the only countries that were directly interested in the trade in liquid sugar. Compensation to Cuba and the Dominican Republic for the increase in the rates of duty on liquid sugar was included in the schedules of concessions that the United States granted to those countries in the multilateral negotiations at Geneva.

In the renegotiation with Cuba and the Dominican Republic, the United States negotiated the right to impose duties on imports of liquid sugar at a uniform rate based on the weight of total sugars contained in the liquid product. Heretofore, liquid sugar has been dutiable on a gallon basis according to a graduated scale of rates varying with the percentage test of the total-sugars content. The newly negotiated preferential rate on Cuban liquid sugar is 0.53 cent per pound of total-sugars content, and the most-favored-nation rate negotiated with the Dominican Republic is 0.6625 cent per pound. These rates are identical with the corresponding rates, previously bound in schedule XX of the General Agreement, on dry crystalline sugar testing 100 sugar degrees by the polariscope.

When the results of the renegotiations on liquid sugar were proclaimed by the President, it was provided that the negotiated preferential rate should be applied on imports of Cuban liquid sugar only if the product tested at least 74.6 percent total sugars. On imports from Cuba below that test, the preferential rates existing on January 1, 1945, increased by 50 percent were made to apply, pending further proclamation by the President.[26] The newly negotiated most-favored-nation rate on liquid sugar was directed to be applied only if the product tests 56.8 percent total sugars or more; on products testing less, the most-favored-nation rates existing on January 1, 1945, increased by 50 percent, became the effective rates. In both instances, the uniform application of the negotiated rate would have resulted in a duty increase exceeding the maximum permissible under trade-agreement legislation.[27]

The rates of duty on Cuban liquid sugar existing on January 1, 1945, remained in effect until the 1956 renegotiation. Consequently, none of the preferential rates that became effective June 30, 1956, represent a duty increase of more than 50 percent of the corresponding rates applicable immediately before that date. In the commercially important range of total-sugars test —from 70 to 80 percent—the rates of duty on the Cuban product were increased by from 50 percent to approximately 38 percent. On the other hand, the most-favored-nation rates on liquid sugar existing on January 1, 1945, had been reduced twice as a result of trade-agreement negotiations with the Dominican Republic (at Annecy in 1949, and at Torquay in 1951). While the new most-favored-nation rates proclaimed as of June 30, 1956,

[26] That is, until such time as the President may be authorized to impose the negotiated rates uniformly.

[27] Under the provisions of the Trade Agreements Act, as amended, the President shall make no proclamation increasing by more than 50 percent any rate of duty existing on January 1, 1945.

represent duty increases over the previously existing rates of considerably more than 50 percent in the lower part of the scale, the increase on liquid sugar within the commercially important range of tests varied from about 51 percent on products testing 70 percent total sugars to approximately 26 percent on those testing 80 percent.

In the newly applicable duty scales on liquid sugar, the breaking point for the application of the uniform rate, based on total-sugars content, falls between 56 and 57 percent in the most-favored-nation scale, and between 74 and 75 percent in the preferential scale. This arrangement was necessary to comply with the 50-percent statutory limitation. The resultant operative rates, up and down both scales, have had the coincidental effect of erratically modifying the previously existing margins of tariff preference on Cuban liquid sugar. Based on the comparison between the preferential and the most-favored-nation rates of duty applicable before and after June 30, 1956, the margins of preference were increased substantially with respect to all rates below that on liquid sugar testing 73 percent. For the next 2 or 3 higher rates, the margins were increased only moderately; thereafter, the new margins begin to decline below their former level. The instances where the absolute difference between the respective most-favored-nation and preferential rates is greater now than before June 30, 1956, represent departures from the practice, established pursuant to the General Agreement, of avoiding increases in margins of preference. Before June 30, 1956, the proportionate relation between the most-favored-nation and the preferential rates of duty on liquid sugar was uniform throughout the duty scale. The rates applicable to Cuban liquid sugar resulted in a preferential duty reduction equivalent to 27.11 percent. Computed on the basis of the newly effective sets of rates, the preferential duty reduction on Cuban liquid sugar is equivalent to 20 percent if testing 75 percent total sugars or more. On liquid sugar of lower test, the preferential reduction increases by about 1.5 percent for each full step in the duty scale, until the reduction reaches 60 percent in the lowest brackets of the scale. For dry crystalline sugar (and for other sugars dutiable under tariff par. 501), the preference on products of Cuba, based on the rates in effect since 1951, is equivalent uniformly to a duty reduction of 20 percent.

Under United States sugar-quota legislation, annual imports of liquid sugar generally have been subject to absolute quotas (separate from the quotas for imports of sugar as such). Under the Sugar Act of 1948, the quotas are 7,970,558 gallons for Cuba, 830,894 gallons for the Dominican Republic, and (since January 1, 1953, by virtue of an amendment to the act) 300,000 gallons for the British West Indies. There are no quotas on liquid sugar imported from other foreign countries. However, the quota provisions of the Sugar Act of 1948 (as amended, including its amendment and extension by Public Law 545, 84th Cong., 2d sess.) do not apply to shipments of liquid sugar, from any country, if imported for the distillation of alcohol or for livestock purposes; nor do they apply to liquid sugar imported from any foreign country other than Cuba and the Republic of the Philippines if in sealed containers not exceeding 1.1 gallons each. These exemptions are without quantitative limitations. Two further exemptions, which also pertain only to foreign countries other than Cuba and the Philippines are limited in each case to the first 10 short tons, raw value, of liquid sugar (or sugar) imported from any one country in any calendar year. In the one case, this exemption applies regardless of the use to which the imported sugar may be put; in the other, it applies only if the sugar is imported for religious, sacramental, educational, or experimental purposes.

The newly proclaimed duties on liquid sugar, which became effective June 30, 1956, are applicable to both quota and nonquota imports, at the preferential rates specified above if the product of Cuba, and at the specified most-favored-nation rates if imported from countries other than Cuba and the Philippines.

In the official trade statistics, imports of liquid sugar are not separately enumerated. For purposes of the renegotiation of the concessions on this commodity, it was estimated that imports from Cuba in 1954 had a foreign value of about 3.9 million dollars. Imports from the Dominican Republic in 1954 had an estimated value of about $409,000.

Certain fur felt hats and hat bodies

In negotiation and agreement with the United Kingdom, and in consultation with France, Italy, and Austria, the United States increased the import duties on certain women's fur felt hats and hat bodies valued at more than $9 and not more than $24 per dozen.

At Geneva in 1947, the United States granted concessions under the General Agreement on Tariffs and Trade on all women's fur felt hats and hat bodies irrespective of the unit value; the concessions became effective on January 1, 1948. In 1950 such hats and hat bodies were the subject of an escape-clause investigation by the United States Tariff Commission. In that investigation, the Commission found that, as a result of the concessions granted in the General Agreement, women's fur felt hats and hat bodies valued at more than $9 but not more than $24 per dozen were being imported into the United States in such increased quantities as to cause serious injury to the domestic industry. Pursuant to the Commission's findings and recommendations, the President issued a proclamation withdrawing—effective December 1, 1950—the concessions on women's fur felt hats and hat bodies valued at more than $9 but not more than $24 per dozen. This action had the effect of reestablishing, as the effective rates, the 1930 statutory rates of duty. At the Torquay Conference in 1950–51, the United States granted compensatory concessions to the countries adversely affected by the withdrawal of these concessions.

The proclamation of the President placing in effect the escape-clause action was brought into litigation in 1954 by certain importers of women's hats. The importers' protest contended that the language used in the proclamation describing headwear "composed wholly or in chief value of fur felt" rendered the proclamation applicable only to headwear made from fur felt that existed independently as such before the headwear itself came into existence. The protest was sustained by the courts and, beginning in late 1955, the 1930 statutory rates of duty under the proclamation were applied only to headwear in the manufacture of which the fur felt had a separate and independent preexistence as such. Since very few—if any—women's fur felt hats and hat bodies are made of such material, the effect of the court's decision was to nullify the action taken by the President in imposing the higher rates of duty found by the Tariff Commission to be necessary to prevent serious injury to the domestic fur felt hat industry.

In its peril-point investigation of these hats and hat bodies before the 1956 Geneva negotiations, the Tariff Commission found that a duty of 65 percent ad valorem was necessary to prevent serious injury to the domestic industry. This rate of duty, which was substantially equal to the 1930 statutory rate, would in practical effect restore—for women's fur felt hats and hat bodies—the customs treatment that existed before the court decision.

In the 1956 negotiations at Geneva, therefore, the United States and the interested contracting parties agreed that the reduced rates of duty applicable to the specified hats and hat bodies should be increased to 65 percent ad valorem. Inasmuch as the United States had already granted compensatory concessions to the other countries to permit the establishment of the statutory rates of duty, pursuant to article XIX of the General Agreement, no separate compensation was granted at Geneva in 1956. Each of the interested countries, however, took into account the results of the general negotiations at Geneva as a part of the consideration for agreeing to the modification in rates of duty.

Total imports into the United States in 1954 of hat bodies involved in the fur felt hat renegotiations were valued at about $700,000, and in 1955, at about $600,000. For the kinds of hat bodies on which the rates were increased, the new rates were generally no higher than those which prevailed up to June 15, 1955.

Chapter 4

Actions of the United States Relating to Its Trade Agreements Program

UNITED STATES TRADE-AGREEMENT OBLIGATIONS

On June 30, 1956, the United States was a party to trade agreements with 42 countries, which agreements it had negotiated under the authority of the Trade Agreements Act, as amended and extended.[1] These countries may be considered in two groups:

1. The first group consists of 33 countries that were contracting parties to the General Agreement on Tariffs and Trade on the aforementioned date.[2] These countries, together with the dates on which the United States gave effect to the tariff concessions that it had initially negotiated with them, are listed below:

Country	*Date*	*Country*	*Date*
Australia	Jan. 1, 1948	India	July 9, 1948
Austria	Oct. 19, 1951	Indonesia [2]	Mar. 11, 1948
Belgium [1]	Jan. 1, 1948	Italy	May 30, 1950
Brazil [1]	July 31, 1948	Japan	Sept. 10, 1955
Burma	July 30, 1948	Luxembourg	Jan. 1, 1948
Canada [1]	Jan. 1, 1948	Netherlands [1]	Do.
Ceylon	July 30, 1948	New Zealand	July 31, 1948
Chile	Mar. 16, 1949	Nicaragua	May 28, 1950
Cuba [1]	Jan. 1, 1948	Norway	July 11, 1948
Denmark	May 28, 1950	Pakistan	July 31, 1948
Dominican Republic	May 19, 1950	Peru	Oct. 7, 1951
Finland [1]	May 25, 1950	Rhodesia and Nyasaland [3]	July 12, 1948
France [1]	Jan. 1, 1948	Sweden [1]	Apr. 30, 1950
Germany (Federal Republic)	Oct. 1, 1951	Turkey [1]	Oct. 17, 1951
Greece	Mar. 1, 1950	Union of South Africa	June 14, 1948
Haiti [1]	Jan. 1, 1950	United Kingdom [1]	Jan. 1, 1948
		Uruguay [1]	Dec. 16, 1953

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

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

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

See text footnote at bottom of p. 104.

2. The second group consists of those 9 countries that had trade agreements with the United States but which were not contracting parties to the General Agreement. These countries, together with the effective dates of the respective bilateral trade agreements, are as follows:

Country	*Date*	*Country*	*Date*
Argentina	Nov. 15, 1941	Iran	June 28, 1944
Ecuador [1]	Oct. 23, 1938	Paraguay	Apr. 9, 1947
El Salvador	May 31, 1937	Switzerland [2]	Feb. 15, 1936
Honduras	Mar. 2, 1936	Venezuela [3]	Dec. 16, 1939
Iceland	Nov. 19, 1943		

[1] By a proclamation of Jan. 17, 1956, the President terminated the bilateral trade agreement with Ecuador as of July 17, 1956.

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

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

During the period covered by this report, the United States continued—as required by section 5 of the Trade Agreements Extension Act of 1951—to suspend the application to imports from Communist-controlled countries or areas, of reduced rates of duty and import taxes established pursuant to any trade agreement. The United States also continued—pursuant to section 11 of the extension act of 1951— to prohibit the entry, or withdrawal from warehouse, for consumption, of specified furs that are the product of the Soviet Union or of Communist China.[3]

ENTRY INTO FORCE OF TRADE-AGREEMENT CONCESSIONS

During the period covered by this report, the United States placed in effect the concessions that it granted to 6 of the 7 countries with which it

[1] For more detailed data on the trade agreements that the United States has concluded with foreign countries, see U. S. Tariff Commission, *Trade Agreements Manual: A Summary of Selected Data Relating to Trade Agreements That the United States Has Negotiated Since 1934,* 1955 [processed].

[2] Four countries had withdrawn from the General Agreement before June 30, 1956—the Republic of China, Lebanon, Liberia, and Syria. Czechoslovakia acceded to the General Agreement at Geneva and is still a contracting party thereto. On September 29, 1951, however, the United States, with the permission of the Contracting Parties, suspended all its obligations to Czechoslovakia under the General Agreement. Subsequently, effective November 2, 1951, the United States suspended the application of trade-agreement concessions to imports from Czechoslovakia.

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

concluded agreements during the 1955 negotiations for the accession of Japan to the General Agreement.[4] These countries, together with the effective dates of the concessions that the United States initially negotiated with each of them, were Japan (September 10, 1955), Canada (September 10, 1955), Denmark (September 10, 1955), Italy (October 5, 1955), Norway (January 16, 1956), and Sweden (February 15, 1956). By June 30, 1956, Finland had not signed the Protocol of Accession of Japan to the General Agreement; the United States, therefore, had not made effective the concessions that it granted to Finland.

On July 11, 1955, the United States placed in effect the concessions that it granted to Switzerland in the supplementary bilateral trade agreement that it concluded with that country in June 1955. The concessions were designed to compensate Switzerland for increases in the United States duties on certain watches and watch movements. On July 24, 1955, the United States gave effect to the concessions that it granted to Canada and the Netherlands during the 1955 Geneva negotiations. These concessions were designed to compensate Canada for changes in the United States tariff status of certain fish sticks and to compensate the Netherlands for changes in the tariff status of certain rubber-soled footwear.[5]

On June 30, 1956, the United States placed in effect the first stage of the tariff concessions that it had granted during the 1956 multilateral tariff negotiations sponsored by the Contracting Parties to the General Agreement on Tariffs and Trade.[6] These concessions were granted in negotiations with the following 21 contracting parties to the General Agreement: Australia, Austria, Belgium, Canada, Chile, Cuba, Denmark, the Dominican Republic, Finland, France, the Federal Republic of Germany, Haiti, Italy, Japan, Luxembourg, the Netherlands, Norway, Peru, Sweden, Turkey, and the United Kingdom.

On June 30, 1956, the end of the period covered by this report, one country with which the United States had concluded negotiations for tariff concessions under the General Agreement at Torquay—Korea—had not yet signed the Torquay Protocol. The United States, therefore, had not placed in effect the concessions that it initially negotiated with that country.

TERMINATION OF TRADE AGREEMENT WITH GUATEMALA

On September 28, 1955, the United States and Guatemala, by mutual consent, agreed to terminate, effective October 15, 1955, the 1936 bilateral

[4] For a discussion of the tariff negotiations for the accession of Japan, see *Operation of the Trade Agreements Program* (eighth report), ch. 4.

[5] For a discussion of the negotiations with Switzerland, Canada, and the Netherlands, see *Operation of the Trade Agreements Program* (eighth report), ch. 4.

[6] For a detailed discussion of the concessions granted by the United States in these negotiations, see ch. 3 of this report.

trade agreement between the two countries. Concessions granted by each country to the other ceased to be effective on the latter date.

Termination of the trade agreement with Guatemala did not result in any changes in the rates of duty on products imported into the United States. All the items on which the United States had granted tariff concessions to Guatemala were either on the free list (and bound free in other trade agreements) or, if dutiable, were subject to concessions granted by the United States in other trade agreements.

TERMINATION OF TRADE AGREEMENT WITH ECUADOR

On July 18, 1955, the United States gave 6 months' notice of its intention to terminate the 1938 bilateral trade agreement with Ecuador. By proclamation of August 27, 1955, the President terminated the agreement, effective January 18, 1956. On January 17, 1956, however, the United States withdrew its original notice and gave to Ecuador a new 6-month notice of intention to terminate the trade agreement. By proclamation of January 17, 1956, the President terminated the trade agreement effective July 17, 1956.

In the trade agreement with Ecuador, the United States had granted concessions on commodities included in 14 paragraphs and subparagraphs of the Tariff Act of 1930 and in 1 section of the Internal Revenue Code. The concessions involved reductions in duty on commodities included in 4 of these paragraphs and subparagraphs and in a section of the Internal Revenue Code, and bindings on the free list of commodities included in 10 tariff paragraphs.

As a result of the termination of the trade agreement with Ecuador, United States import duties were increased on commodities included in 3 tariff paragraphs and 1 section of the Internal Revenue Code. The commodities involved were panama hat bodies, balsa lumber, naranjilla juice, and concentrated naranjilla juice. The duties or import-excise tax on these commodities reverted to those originally specified in the Tariff Act of 1930 or the Internal Revenue Code. In each instance the duty or tax was doubled, inasmuch as the United States had granted 50-percent reductions in duty in the trade agreement. Most of the commodities on which the United States withdrew duty-free bindings upon the termination of the trade agreement with Ecuador were bound free of duty in other bilateral trade agreements or in the General Agreement on Tariffs and Trade. On three of these products, however, the United States had no commitments binding them on the free list in trade agreements other than that with Ecuador; these items were tagua nuts, balsa lumber,[7] and balsa logs.

[7] Balsa lumber, while free of duty under the Tariff Act of 1930, is subject to an import-excise tax under the Internal Revenue Code. As indicated above, this tax was increased on the termination of the trade agreement with Ecuador.

REVISION OF UNITED STATES-PHILIPPINE TRADE AGREEMENT [8]

On December 15, 1954, delegations of the United States and the Republic of the Philippines reached agreement on the revision of the 1946 trade agreement between the two countries, which had been concluded originally pursuant to the Philippine Trade Act of 1946. The two delegations recommended, for consideration by their respective Governments, the revision of the agreement that was incorporated in their final act. Legislation authorizing the Presidents of the respective countries to enter into the revised agreement was passed by the Philippine Legislature in May 1955 and by the United States Congress in July 1955.[9] On September 6, 1955, representatives of the two countries signed an agreement revising the 1946 trade agreement.

Under the original 1946 agreement, reciprocal free trade (subject to quota restrictions on a few United States imports of Philippine articles) was to continue between the two countries through July 3, 1954. During the remainder of 1954, 5 percent of the Philippine rates of duty applicable to imports of like goods from other countries was to apply to imports of United States articles, and 5 percent of United States rates of duty applicable to imports of like products from the foreign country that was entitled to the lowest rates [10] was to apply to imports of most Philippine articles. In each calendar year thereafter, the rates of duty applicable to imports of each country from the other were to be increased by an additional 5 percent of the duties applicable to imports of like goods from other sources; the cumulative totals would thereby reach 100 percent of the base rates on January 1, 1973, at which level they were to remain for the duration of the agreement (through July 3, 1974).

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

[9] The Philippine Trade Agreements Revision Act of 1955 was approved by the President of the United States on August 1, 1955.

[10] For those articles on which Cuba is entitled to a preferential rate of duty, the percentage was to be based on the Cuban preferential rate.

United States imports of Philippine sugar, cordage, and rice were to be subject not only to the foregoing tariff provisions but also to absolute quotas. United States imports of Philippine cigars, cigar filler and scrap tobacco, coconut oil, and pearl or shell buttons were to be subject both to declining duty-free quotas (in lieu of progressive import duties) and to absolute quotas. Shipments in excess of the duty-free portions of the quotas were to be dutiable at the rates applicable to like imports from Cuba. After July 3, 1974, unless otherwise provided by statute or treaty, the aforementioned absolute quotas were to be removed and the full United States duties (not the preferential rates to Cuba) were to apply to all dutiable imports into the United States from the Philippines, and the full Philippine duties were to apply to all dutiable imports into the Philippines from the United States.

Reciprocal free trade between the United States and the Philippines did not terminate on July 3, 1954, as provided by the United States-Philippine agreement of 1946. At the request of the Philippine Government, the United States (by Public Law 474, approved July 5, 1954) extended the duty-free treatment of Philippine articles for an 18-month period ending December 31, 1955; the Philippines took corresponding action with respect to imports of United States articles.[11]

The revised trade agreement between the United States and the Philippines, signed on September 6, 1955, changed substantially the provisions in the original agreement for the progressive elimination of tariff preferences between the two countries. As compared with that provided in the original agreement, the revised schedule for increasing United States rates of duty on imports of Philippine articles was sharply decelerated in the early years and sharply accelerated in the later years covered by the agreement. On the other hand, the revised schedule for increasing Philippine rates of duty on imports of United States articles was sharply accelerated in the early years and sharply decelerated in the later years. Under the original agreement, for example, 55 percent of the tariff preferences accorded by both the United States and the Philippines was to be eliminated by 1964, whereas under the revised agreement 20 percent of the tariff preferences accorded by the United States on imports of Philippine articles and 75 percent of the preferences accorded by the Philippines on imports of United States articles would be eliminated by that year (1964). (See table 3.)

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[11] Under the agreement as thus amended, the progressive elimination of duty preferences between the United States and the Philippines was to be reestablished on January 1, 1956. Each country was to apply in the first calendar year 15 percent of the lowest rates of duty it applied to like imports from any other country, with annual cumulative 5-percent increments thereafter. Public Law 474 made no changes in the provisions of the trade agreement providing for absolute quotas and declining duty-free quotas to be applied by the United States on imports of certain Philippine products.

TABLE 3.—*Schedules for eliminating the tariff preferences between the United States and the Republic of the Philippines under the original (1946) trade agreement as amended by Public Law 474, and under the revised (1955) agreement, 1956–74*

[In percentages]

Period	Proportion of duties applicable—		
	Under 1946 agreement, as extended, to United States imports of Philippine articles [1] and to Philippine imports of United States articles	Under revised trade agreement	
		To United States imports of Philippine articles [1]	To Philippine imports of United States articles
1956	15	5	25
1957	20	5	25
1958	25	5	25
1959	30	10	50
1960	35	10	50
1961	40	10	50
1962	45	20	75
1963	50	20	75
1964	55	20	75
1965	60	40	90
1966	65	40	90
1967	70	40	90
1968	75	60	90
1969	80	60	90
1970	85	60	90
1971	90	80	90
1972	95	80	90
1973	100	80	90
1974 (Jan. 1–July 3)	100	100	100

[1] The United States rates here referred to are the rates applicable to imports of like articles from the foreign country that is entitled to the lowest rates. On those articles on which Cuba is entitled to preferential treatment, the Cuban preferential rate is the duty to which the percentages apply.

The revised trade agreement also modified substantially the provisions of the original agreement that established absolute quotas and declining duty-free quotas on United States imports of certain Philippine products. Under the revised agreement, the absolute quotas established in the original agreement on imports of Philippine sugar [12] and cordage were continued, but

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

those on imports of Philippine rice, cigars, cigar filler and scrap tobacco, coconut oil, and pearl or shell buttons were eliminated. United States imports of Philippine rice ceased to be subject to any quota under the revised agreement; imports of cigars, cigar filler and scrap tobacco, coconut oil, and pearl or shell buttons, however, continued to be subject to declining duty-free quotas (in lieu of increasing import duties). The schedule of declining duty-free quotas in the revised agreement followed the same pattern as the schedule of increases in United States import duties—that is, the quantity of each of the categories of Philippine articles that is entitled to duty-free entry was reduced, not at the uniform rate of 5 percent of the base quantity each year as provided in the 1946 agreement, but by the same progression as United States import duties were to be increased, as shown in table 3. The base quantities of the articles on which the annual quotas were to be calculated were the same in the revised agreement as in the 1946 agreement.

WITHDRAWAL OR MODIFICATION OF TRADE-AGREEMENT CONCESSIONS

Bicycles

On August 18, 1955, the President issued a proclamation modifying the concession that the United States had granted on bicycles in the General Agreement on Tariffs and Trade. The concession was modified under the provisions of article XIX of the General Agreement, after an escape-clause investigation by the Tariff Commission pursuant to section 7 of the Trade Agreements Extension Act of 1951, as amended. As a result of the modification, United States rates of duties were increased on imports of bicycles.[13]

Linen Toweling

On June 25, 1956, the President issued a proclamation withdrawing the concession that the United States had granted in the General Agreement on toweling of flax, hemp, or ramie, or of which these substances or any of them is the component material of chief value. This concession was withdrawn under the provisions of article XIX of the General Agreement, after an escape-clause investigation by the Tariff Commission pursuant to section 7 of the Trade Agreements Extension Act of 1951, as amended. As a result of the modification, the United States rate of duty on linen toweling was increased.[13]

Liquid Sugar, Fur Felt Hats

During the 1956 tariff negotiations sponsored by the Contracting Parties to the General Agreement, the United States—under the provisions of

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

article XXVIII of the General Agreement—modified the trade-agreement concessions that it had granted in earlier negotiations on liquid sugar and certain fur felt hats. As a result of these modifications, which became effective on June 30, 1956, the United States rates of duty on imports of liquid sugar were increased, and the increased duties on fur felt hats established by proclamation of the President after an escape-clause investigation were bound in the General Agreement. United States negotiations relating to these products are discussed in chapter 3 of this report.

Tuna, Canned in Brine

By a proclamation effective April 14, 1956, the President imposed a tariff quota on United States imports of tuna, canned in brine, equal in each calendar year (beginning in 1957) to 20 percent of the United States pack of canned tunafish in the preceding year. For the period from April 14 to the end of 1956, the President established a tariff quota equal to 15 percent of the United States pack of canned tunafish in 1955. The United States duty on tuna, canned in brine, imported within the quota remained at the trade-agreement rate, 12-1/2 percent ad valorem, but the duty on imports in excess of the quota was increased from 12-1/2 percent to 25 percent ad valorem, which was the rate of duty originally provided for in the Tariff Act of 1930.

The United States had granted concessions on tuna, canned in brine, in its 1943 bilateral trade agreement with Iceland and in the negotiations for the accession of Japan to the General Agreement on Tariffs and Trade. Both concessions provided for a rate of duty of 12-1/2 percent ad valorem, but that in the General Agreement contained a note in which the United States reserved the right to increase the duty on any imports of tuna, canned in brine, that exceeded 20 percent of United States production of canned tuna. By an exchange of notes with Iceland on March 5 and 6, 1956, the United States terminated the concession on tuna, canned in brine, that it had made in the agreement with that country. On March 16, 1956, the United States notified the Executive Secretary to the Contracting Parties of the General Agreement that it was invoking the reservation permitting it to increase the duty on tuna, canned in brine.

ACTIVITIES UNDER THE PERIL-POINT PROVISION

Sections 3 and 4 of the Trade Agreements Extension Act of 1951 set forth the statutory requirements regarding the so-called peril-point determinations in connection with proposed trade-agreement negotiations. The peril-point provisions of the 1951 act require the President, before entering into any trade-agreement negotiation, to transmit to the Tariff Commission a list of the commodities to be considered for concessions. The Commission is then required to make an investigation, including the holding of a public hearing, and to report its findings to the President on (1) the maximum decrease in duty, if any, that can be made on each listed commodity without causing or threatening serious injury to the domestic industry producing like or directly competitive products, or (2) the minimum increase in duty or additional import restriction that may be necessary on any of the listed products in order to avoid serious injury or the threat of serious injury to such domestic industry.

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

During the period covered by this report, the Tariff Commission conducted two peril-point investigations. On September 21, 1955, and again on December 9, 1955, the Commission instituted peril-point investigations of articles specified in the President's lists of the same dates. These articles comprised those that were to be considered for possible concessions in the tariff negotiations with 25 contracting parties to the General Agreement on Tariffs and Trade beginning in January 1956. Public hearings were held from October 31 to November 10, 1955, and from January 17 to 19, 1956. The Commission submitted its report on the first investigation to the President on January 16, 1956, and on the second, on February 10, 1956.

On June 7, 1956, the President sent a message to the Congress identifying two items on which the trade agreement that the United States concluded in June 1956 under the General Agreement failed to provide for increased import duties specified in the Commission's peril-point report of January 16, 1956. These items were certain tungsten alloys dutiable under paragraph 302 (h) and violins and violas dutiable under paragraph 1541 (b). On the same day, the Commission sent to the Senate Committee on Finance and the House Committee on Ways and Means copies of the portions of its peril-point report that dealt with those items.

ACTIVITIES UNDER THE ESCAPE CLAUSE OF TRADE AGREEMENTS

Since 1943 all trade agreements concluded by the United States have contained a safeguarding clause, commonly known as the standard escape clause. This clause provides, in essence, that either party to the agreement may withdraw or modify any concession made therein if, after a concession, imports of the particular commodity enter in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive articles.

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

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

Section 7 of the Trade Agreements Extension Act of 1951, as amended, provides that the Tariff Commission, upon the request of the President, upon resolution of either House of Congress, upon resolution of either the Senate Committee on Finance or the House Committee on Ways and Means, upon its own motion, or upon application by any interested party, must promptly conduct an escape-clause investigation. The Commission must complete its investigation and make a report thereon within 9 months of the date the application is received, or after the investigation is instituted. As a part of each investigation, the Commission usually holds a public hearing at which interested parties are afforded an opportunity to be heard. Section 7 (a) of the Trade Agreements Extension Act of 1951, as amended, requires such hearing to be held whenever the Commission finds evidence of serious injury or threat of serious injury, or whenever so directed by resolution of either the Senate Committee on Finance or the House Committee on Ways and Means. In arriving at its findings and conclusions, the Commission is required to consider the following factors expressly set forth in section 7 (b) : A downward trend of production, employment, prices, profits, or wages in the domestic industry concerned, or a decline in sales, an increase in imports either actual or relative to domestic production, a higher or growing inventory, or a decline in the proportion of the domestic market supplied by domestic producers.

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

Executive Order 10401, which is discussed fully in a later section of this chapter,[14] directs the Commission to review developments with regard to products on which trade-agreement concessions have been modified or withdrawn under the escape-clause procedure, and to make periodic reports to the President concerning such developments.

Applications for Investigations

On July 1, 1955, 2 escape-clause investigations were pending before the Tariff Commission. During the ensuing 12 months, the Commission instituted 14 additional investigations.[15] Of the total of 16 escape-clause investigations that were pending before the Commission at one time or another during the period covered by this report, the Commission, as of June 30, 1956, had completed 6 investigations[16] and had discontinued and dismissed 3 investigations without formal findings; the remaining 7 investigations were in process. The nature and status of the individual escape-clause investigations that were pending before the Commission during the period July 1, 1955, to June 30, 1956, are shown in the following compilation.[17]

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

[15] Between April 20, 1948, when the first application for an escape-clause investigation was made, and June 30, 1956, the Tariff Commission received a total of 74 applications.

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

[17] This tabulation shows the status of only those escape-clause investigations that were pending before the Commission at one time or another during the period covered by this report. Lists of applications received before the period covered by this report, and their status on various dates, are given in earlier reports on the operation of the trade agreements program. For a résumé of the status of all escape-clause applications filed with the Commission between April 20, 1948, and July 2, 1956, see U. S. Tariff Commission, *Investigations Under the "Escape Clause" of Trade Agreements: Outcome or Current Status of Applications Filed With the United States Tariff Commission for Investigations Under the "Escape Clause" of Trade Agreements, as of July 2, 1956*, 1956 [processed].

Escape-clause investigations pending before the Tariff Commission at one time or another during the period July 1, 1955–June 30, 1956

Commodity	Status
1. Bicycles (second investigation).	*Origin of investigation:* Application by Bicycle Manufacturers Association of America, New York, N. Y. *Application received:* June 14, 1954. *Investigation instituted:* June 22, 1954. *Hearing held:* Sept. 21–27, 1954. *Investigation completed:* Mar. 14, 1955. *Recommendation of the Commission:* Modification in concession recommended to the President. *Vote of the Commission:* 4–1. *Action of the President:* President requested further study by the Commission May 11, 1955. *Supplemental report submitted to the President:* July 14, 1955. *Action of the President:* Recommendation accepted in part by the President. Concession modified by Presidential proclamation of Aug. 18, 1955.
2. Ferrocerium (lighter flints) and all other cerium alloys.	*Origin of investigation:* Application by Kent Metal and Chemical Corp., Edgewater, N. J., and New Process Metals, Inc., Newark, N. J. *Application received:* Mar. 29, 1955. *Investigation instituted:* Apr. 7, 1955. *Hearing held:* May 17, 1955. *Investigation completed:* Dec. 21, 1955. *Recommendation of the Commission:* Withdrawal of concession recommended to the President. *Vote of the Commission:* Unanimous. *Action of the President:* President announced he was deferring action Feb. 14, 1956.
3. Fluorspar, acid grade (second investigation).	*Origin of investigation:* Resolution of the Senate Committee on Finance dated July 29, 1955. *Investigation instituted:* Aug. 1, 1955. *Hearing held:* Sept. 27–30, 1955. *Investigation completed:* Jan. 18, 1956. *Vote of the Commission:* Equally divided (3–3). *Action of the President:* President decided not to modify the concession Mar. 20, 1956.
4. Para-aminosalicylic acid and salts thereof in bulk (not in dosage) form.	*Origin of investigation:* Application by Sumner Chemical Co., New York, N. Y. *Application received:* Sept. 14, 1955. *Investigation instituted:* Sept. 16, 1955. *Hearing held:* Jan. 24, 1956. *Investigation completed:* June 14, 1956. *Vote of the Commission:* Equally divided (3–3). *Action of the President:* On Aug. 10, 1956, the President decided not to modify the concession.

Escape-clause investigations pending before the Tariff Commission at one time or another during the period July 1, 1955–June 30, 1956—Continued

Commodity	Status
5. Toweling of flax, hemp, or ramie, or of which these substances or any of them is the component material of chief value.	*Origin of investigation:* Application by Stevens Linen Associates, Inc., Dudley, Mass. *Application received:* Aug. 29, 1955. *Investigation instituted:* Oct. 4, 1955. *Hearing held:* Feb. 14, 1956. *Investigation completed:* May 15, 1956. *Recommendation of the Commission:* Withdrawal of concession recommended to the President. *Vote of the Commission:* Unanimous. *Action of the President:* Concession withdrawn by Presidential proclamation June 25, 1956.
6. Dressed rabbit furs and fur skins, not dyed.	*Origin of investigation:* Application by Rabbit Dressers Institute, Inc., New York, N. Y. *Application received:* Oct. 21, 1955. *Investigation instituted:* Nov. 16, 1955. *Hearing held:* Dec. 19, 1955. *Investigation completed:* Feb. 29, 1956. *Recommendation of the Commission:* No modification in concession recommended. *Vote of the Commission:* Unanimous.
7. Women's and children's leather handbags and pocketbooks, wholly or in chief value of leather, including reptile leather.	*Origin of investigation:* Application by National Authority for the Ladies' Handbag Industry, New York, N. Y. *Application received:* Nov. 17, 1955. *Investigation instituted:* Nov. 21, 1955. *Hearing scheduled:* May 15, 1956. *Investigation discontinued and dismissed and hearing canceled:* Mar. 14, 1956. *Vote of the Commission:* Unanimous.
8. Fresh or frozen groundfish fillets (third investigation).	*Origin of investigation:* Application by Massachusetts Fisheries Association, Inc., Boston, Mass., and others. *Application received:* Jan. 12, 1956. *Investigation instituted:* Jan. 16, 1956. *Hearing held:* June 5–8, 1956. *Investigation in process.*
9. Screws, commonly called wood screws, of iron or steel (fourth investigation).	*Origin of investigation:* Application by United States Wood Screw Service Bureau, New York, N. Y. *Application received:* Jan. 20, 1956. *Investigation instituted:* Jan. 26, 1956. *Hearing scheduled:* June 12, 1956. *Investigation discontinued and dismissed at applicant's request, and hearing canceled:* Apr. 9, 1956. *Vote of the Commission:* Unanimous.
10. Velveteen fabrics (not including ribbons), cut or uncut, whether or not the pile covers the entire surface, wholly or in chief value of cotton.	*Origin of investigation:* Application by Crompton Co., West Warwick, R. I., and others. *Application received:* Jan. 24, 1956. *Investigation instituted:* Jan. 26, 1956. *Hearing held:* June 19–21, 1956. *Investigation in process.*

Escape-clause investigations pending before the Tariff Commission at one time or another during the period July 1, 1955–June 30, 1956—Continued

Commodity	Status
11. Women's and girls' cotton blouses.	*Origin of investigation:* Application by National Association of Blouse Manufacturers, Inc., New York, N. Y. *Application received:* Feb. 7, 1956. *Investigation instituted:* Feb. 21, 1956. *Hearing scheduled:* Aug. 21, 1956. *Investigation discontinued and dismissed at applicant's request, and hearing canceled:* June 22, 1956. *Vote of the Commission:* Unanimous.
12. Pillowcases, wholly or in chief value of cotton.	*Origin of investigation:* Application by Riegel Textile Corp., New York, N. Y. *Application received:* Feb. 21, 1956. *Investigation instituted:* Mar. 6, 1956. *Hearing scheduled:* Sept. 11, 1956. *Investigation in process.*
13. Straight (dressmakers' or common) pins (second investigation).	*Origin of investigation:* Application by Vail Manufacturing Co., Chicago, Ill., and others. *Application received:* Apr. 30, 1956. *Investigation instituted:* May 10, 1956. *Hearing scheduled:* Sept. 18, 1956. *Investigation in process.*
14. Safety pins (second investigation).	*Origin of investigation:* Application by DeLong Hook & Eye Co., Philadelphia, Pa., and others. *Application received:* Apr. 30, 1956. *Investigation instituted:* May 10, 1956. *Hearing scheduled:* Sept. 19, 1956. *Investigation in process.*
15. Certain cotton cloth (gingham).	*Origin of investigation:* Application by Association of Cotton Textile Merchants, New York, N. Y. *Application received:* June 5, 1956. *Investigation instituted:* June 12, 1956. *Hearing scheduled:* Oct. 23, 1956. *Investigation in process.*
16. Violins and violas........................	*Origin of investigation:* Application by Jackson-Guldan, Inc., Columbus, Ohio. *Application received:* June 19, 1956. *Investigation instituted:* June 22, 1956. *Hearing scheduled:* Sept. 6, 1956. *Investigation in process.*

Investigations Completed

During the period covered by this report, the Tariff Commission completed 6 escape-clause investigations and dismissed 3 investigations without formal findings. In 1 of the completed investigations—that of dressed rabbit fur—the Commission found that escape-clause relief was not warranted; data on this investigation, as well as on those that were dismissed without formal findings, are summarized in the preceding tabulation. In 3 of the completed investigations—those of bicycles, ferrocerium (lighter flints), and toweling of flax, hemp, or ramie—the Commission found that escape-clause relief was warranted, and in 2 completed investigations—those of fluorspar, acid grade, and para-aminosalicylic acid—the vote of the Commission was equally divided. These 5 investigations are discussed below.

Bicycles (second investigation)

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

In this investigation, the report on which was submitted to the President on March 14, 1955,[18] the Commission found (Commissioner Sutton dissenting) that escape-clause relief was warranted. The Commission also found that, in order to remedy the serious injury to the domestic industry concerned, it was necessary that the following rates of duty be applied to imports of bicycles for an indefinite period:

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

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

(Commissioner Edminster dissented in part from this finding.)

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

In the Commission's supplementary report, which was submitted to the President on July 14, 1955,[19] a majority of the Commission (Commissioners Brossard, Talbot, and Schreiber) expressed the opinion that the more recent

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

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

information presented in the report indicated that the trend in the quantity of imports of bicycles was continuing upward and that the condition of the domestic bicycle industry was continuing to deteriorate. Commissioner Sutton did not subscribe to this opinion.

On August 18, 1955, the President announced that, although he concurred with the Tariff Commission majority's finding of injury, he differed with the Commission as to the remedy to be applied. The Tariff Commission majority had recommended that the minimum ad valorem rate of duty for all types of imported bicycles be increased to 22-1/2 percent, an increase from the existing rate of 7-1/2 percent on large-wheel lightweight bicycles (wheel diameter over 25 inches, net weight less than 36 pounds), and from the existing rate of 15 percent on all other types. The President stated that he agreed with the Commission majority's recommendation on the latter group, increasing the minimum ad valorem rate from 15 percent to 22-1/2 percent. He decided, however, to increase the rate on the large-wheel lightweights by the same proportion, from 7-1/2 percent to 11-1/4 percent, instead of making it 22-1/2 percent, as recommended by the majority of the Commission. By a proclamation of August 18, 1955, the President modified the concession on bicycles in accordance with his statement.

Ferrocerium (lighter flints) and all other cerium alloys

On April 7, 1955, in response to an application filed by the Kent Metal and Chemical Corp., of Edgewater, N. J., and New Process Metals, Inc., of Newark, N. J., the Tariff Commission instituted an escape-clause investigation of ferrocerium (lighter flints) and all other cerium alloys. A public hearing was held on May 17, 1955.

In this investigation, the report on which was submitted to the President on December 21, 1955,[20] the Commission found that escape-clause relief was warranted. The Commission also found that, in order to remedy the serious injury to the domestic industry concerned, it was necessary that the original rate of duty provided for in the Tariff Act of 1930—$2 per pound plus 25 percent ad valorem—be restored for an indefinite period.

On February 14, 1956, the President announced that he was deferring action on the Commission's recommendations.

Fluorspar, acid grade (second investigation)

On August 1, 1955, in response to a resolution of the Senate Committee on Finance, dated July 29, 1955, the Tariff Commission instituted a second escape-clause investigation of fluorspar containing more than 97 percent of calcium fluoride. A public hearing was held from September 27 to 30, 1955.

The Commission submitted its report to the President on January 18,

[20] U. S. Tariff Commission, *Ferrocerium (Lighter Flints) and All Other Cerium Alloys: Report to the President on Escape-Clause Investigation . . .*, 1955 [processed].

1956.[21] Three Commissioners (Commissioners Brossard, Talbot, and Schreiber) found that escape-clause relief was warranted and the other three Commissioners (Commissioners Sutton, Jones, and Dowling) made a contrary finding. The Commissioners who found that escape-clause relief was warranted also found that, in order to remedy the serious injury to the domestic industry concerned, it was necessary to restore the original rate of duty provided for in the Tariff Act of 1930—$5.60 per long ton—for an indefinite period.

In a situation of this kind, the Commission transmits to the President the findings and recommendations of each group of Commissioners and the President may consider the findings and recommendations of either group as the findings and recommendations of the Commission.

On March 20, 1956, the President announced that he had decided not to modify the concession on acid grade fluorspar.

Toweling of flax, hemp, or ramie

On August 29, 1955, in response to an application by Stevens Linen Associates, Inc., of Dudley, Mass., the Tariff Commission instituted an escape-clause investigation of toweling of flax, hemp, or ramie, or of which these substances or any of them is the component material of chief value. A public hearing was held on February 14, 1956.

In this investigation, a report on which was submitted to the President on May 15, 1956,[22] the Commission unanimously found that escape-clause relief was warranted with respect to the products in question, and that it was necessary that the original rate of duty established in the Tariff Act of 1930 with respect to such products (40 percent ad valorem) be restored for an indefinite period. Accordingly, the Commission recommended to the President the withdrawal of the tariff concession that the United States granted on the products in the General Agreement on Tariffs and Trade.

On June 25, 1956, the President issued a proclamation withdrawing for an indefinite period the concession on the toweling covered by the investigation.

Para-aminosalicylic acid and salts thereof

On September 16, 1955, in response to an application by the Sumner Chemical Co., of New York, N. Y., the Tariff Commission instituted an escape-clause investigation of para-aminosalicylic acid and salts thereof in bulk (not in dosage) form. A public hearing was held on January 24, 1956.

The Commission submitted its report to the President on June 14, 1956.[23]

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[21] U. S. Tariff Commission, *Acid Grade Fluorspar: Report to the President on Escape-Clause Investigation . . .*, 1956 [processed].

[22] U. S. Tariff Commission, *Toweling of Flax, Hemp, or Ramie: Report to the President on Escape-Clause Investigation . . .*, 1956 [processed].

[23] U. S. Tariff Commission, *Para-aminosalicylic Acid and Salts Thereof in Bulk (Not in Dosage) Form: Report to the President on Escape-Clause Investigation . . .*, 1956 [processed].

Upon consideration by the full Commission of the facts obtained in the investigation, the Commission divided into 2 groups of 3, each of which unanimously agreed upon separate findings on the question of whether escape-clause relief was warranted. In a situation of this kind, the Commission transmits to the President the findings and recommendations of each group of Commissioners, and the President may consider the findings and recommendations of either group as the findings and recommendations of the Commission.

Commissioners Brossard, Schreiber, and Sutton found that the products in question were being imported in such increased quantities as to cause serious injury to the domestic industry. They recommended that the trade-agreement concession on the products be modified so as to permit the application to such articles, for an indefinite period, of a rate of duty of 5 cents a pound and 35 percent ad valorem.

Commissioners Talbot, Jones, and Dowling found that the domestic industry was not being seriously injured or threatened with serious injury and, therefore, made no recommendation for modification or withdrawal of the trade-agreement concession involved.

On August 10, 1956, the President announced that he had decided to accept as the findings of the Commission the findings of the three Commissioners who held that no escape-clause relief was necessary at that time.

Review of Escape-Clause Actions Under Executive Order 10401

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

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

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

Dried figs

Effective August 30, 1952, after an escape-clause investigation and report by the Tariff Commission, the President modified the concession that the United States had granted on dried figs in the General Agreement on Tariffs and Trade and increased the import duty on such figs from 2-1/2 cents to 4-1/2 cents per pound.

As required by paragraph 1 of Executive Order 10401, the Commission on August 9, 1955, submitted to the President its second periodic report on developments with respect to the dried figs involved in the escape action. In its report,[24] the Commission concluded that the conditions of competition with respect to the trade in imported and domestic dried figs had not so changed as to warrant the institution of a formal investigation under the provisions of paragraph 2 of Executive Order 10401. On September 2, 1955, the President approved the Commission's conclusion.

Hatters' fur

Effective February 9, 1952, after an escape-clause investigation and report by the Tariff Commission, the President modified the concession granted by the United States in the General Agreement on Tariffs and Trade on hatters' fur, and imposed on that product a duty of 47-1/2 cents per pound, but not less than 15 percent nor more than 35 percent ad valorem.

As required by paragraph 1 of Executive Order 10401, the Commission on February 6, 1956, submitted to the President its third periodic report on developments with respect to the products involved in the escape action. In its report,[25] the Commission concluded that the conditions of competition with respect to the trade in imported and domestic hatters' fur had not so changed as to warrant the institution of a formal investigation under the provisions of paragraph 2 of Executive Order 10401. On March 29, 1956, the President approved the Commission's conclusion.

QUANTITATIVE RESTRICTIONS ON IMPORTS INTO THE UNITED STATES

During all or part of the last half of 1955 and the first half of 1956 the United States applied quantitative restrictions to imports of the following

[24] U. S. Tariff Commission, *Figs, Dried: Report to the President (1955) under Executive Order 10401,* 1955 [processed].

[25] U. S. Tariff Commission, *Hatters' Fur: Report to the President (1956) Under Executive Order 10401,* 1956 [processed].

commodities: (1) Cotton, wheat and wheat flour, certain dairy products, peanuts, oats, rye, and barley, under section 22 of the Agricultural Adjustment Act, to prevent imports from interfering with domestic programs affecting the production or marketing of those commodities; (2) sugar, under the sugar act, to control the quantity of sugar supplied from both foreign and domestic sources; and (3) sugar, cordage, rice, cigars, scrap tobacco, coconut oil, and buttons of pearl or shell imported from the Republic of the Philippines, as part of a program to eliminate gradually the United States preferential customs treatment accorded Philippine products entering the United States. Except for the quotas established on imports of the Philippine products listed above, which are discussed in an earlier section of this chapter,[26] these restrictions are discussed in detail in the following sections of this chapter.

Under various legislative acts, the United States also prohibits or restricts imports of a wide range of other articles to protect public morals; to protect human, animal, or plant life or health; to control the importation of gold or silver; to facilitate customs enforcement; to protect patents, trademarks, and copyrights; to prevent deceptive practices, misrepresentations, and unfair competition; and to prevent importation of the products of forced labor. These prohibitions and restrictions were discussed in some detail in the Commission's fourth report on the operation of the trade agreements program.[27]

Restrictions Under Section 22 of the Agricultural Adjustment Act

During all or part of the period July 1, 1955, to June 30, 1956, the United States applied quantitative restrictions (quotas[28]) or fees on the importation of cotton, wheat and wheat flour, shelled and blanched almonds, shelled filberts, certain dairy products, flaxseed, linseed oil, peanuts, peanut oil, oats, rye, and barley, under the provisions of section 22 of the Agricultural Adjustment Act, as amended.

Section 22 of the Agricultural Adjustment Act authorizes the President to restrict the importation of commodities, by the imposition either of fees or of quotas (within specified limits), whenever such imports render or tend to render ineffective, or materially interfere with, programs of the United States Department of Agriculture relating to agricultural commodities.

[26] See the section on the modification of the United States-Philippine trade agreement.

[27] Ch. 7.

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

Section 22 requires the Tariff Commission, on direction of the President, to conduct an investigation, including a public hearing, and to make a report and recommendation to the President. Under subsection (f), as amended by section 8 (b) of the Trade Agreements Extension Act of 1951, no trade agreement or other international agreement entered into at any time by the United States may be applied in a manner inconsistent with the requirements of section 22.

Section 8 (a) of the Trade Agreements Extension Act of 1951, as amended, establishes special procedures for invoking section 22 in emergency conditions due to the perishability of any agricultural commodity. Upon a report to the President and to the Tariff Commission by the Secretary of Agriculture that such emergency conditions exist with respect to any agricultural commodity, the Tariff Commission must make an immediate investigation under section 22 (or sec. 7 of the Trade Agreements Extension Act of 1951), and make appropriate recommendations to the President. The Commission's report to the President and the President's decision must be made not more than 25 calendar days after the case is submitted to the Commission. Should the President deem it necessary, however, he may take action without awaiting the recommendations of the Commission.

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

Cotton and cotton waste (continuing investigation)

Under the provisions of section 22, quota restrictions have been imposed since 1939 on imports of most types of cotton and on some types of cotton waste, in accordance with the recommendations of the Tariff Commission. In recent years, the Commission has conducted a number of supplemental investigations to determine whether additional imports of certain types of long-staple cotton in excess of the established quotas could be permitted to enter without adverse effect on the cotton program. Since 1951, the Commission has made no investigations relating to either short-staple cotton, long-staple cotton, or cotton waste, but it has continued to watch the developments with respect to those products.

Wheat and wheat flour (continuing investigation)

Since 1941, under the provisions of section 22, and in accordance with recommendations of the Tariff Commission, the United States has restricted imports of wheat and wheat flour, semolina, crushed or cracked wheat, and similar wheat products, in order to prevent interference with programs of the Department of Agriculture to control the production or marketing of domestic wheat. Since their adoption in 1941, the basic quotas have not been changed, but exceptions have been granted on distress shipments, on seed wheat, on wheat for experimental purposes, and on wheat imported during the war by the War Food Administrator (virtually all of which was used for animal feed). Since 1943, the Commission has completed no investigation relating to wheat, wheat flour, and other wheat products,[29] but it has continued to watch the developments with respect to those products.

Edible tree nuts (continuing investigation)

During 1956 the Tariff Commission had pending before it a continuing investigation of edible tree nuts, under the provisions of section 22. By direction of the President, the Tariff Commission instituted this investigation on April 13, 1950. The purpose of the investigation was to determine whether almonds, filberts, walnuts, brazil nuts, or cashews were being imported, or were practically certain to be imported, into the United States under such conditions and in such quantities as to render ineffective or tend to render ineffective or materially interfere with any of the programs undertaken by the Department of Agriculture with respect to almonds, filberts, walnuts, or pecans, or to reduce substantially the amount of any product processed in the United States from such almonds, filberts, walnuts, or pecans. The Commission submitted reports to the President in this investigation in November 1950, in November 1951, in September 1952, in September 1953, and in September 1954.

On July 11, 1955, the Commission ordered a sixth public hearing in the investigation of edible tree nuts, to be held on August 30, 1955. On August 5, 1955, however, the President, in response to a request from the Secretary of Agriculture, requested the Commission to cancel the hearing. The Secretary of Agriculture stated that, because of the expectation of a reduced supply of almonds, filberts, walnuts, and pecans, both here and abroad, during the forthcoming crop year, the hearing was no longer necessary. The Secretary of Agriculture recommended, however, that because of the continuing nature of the marketing problems facing the domestic industries producing edible tree nuts, the Commission's investigation of edible tree nuts under section 22 be continued. On August 5, 1955, the Commission canceled the hearing and continued the investigation as requested.

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

Shelled filberts (supplemental investigation)

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

The Commission reported the results of its investigation to the President on July 1, 1955.[30] In its report the Commission recommended that the President's proclamation of October 11, 1954, be modified so as to permit the importation, during the remainder of the 12-month period beginning October 1, 1954, of an additional 1,500,000 pounds of shelled filberts, whether or not blanched, free of the fee imposed by the proclamation of October 11, 1954.

On July 15, 1955, the President issued a proclamation permitting an additional 1,500,000 pounds of shelled filberts to be entered free of special import fee between that date and September 30, 1955, the end of the then current quota year. The President's action thus modified his proclamation of October 11, 1954, which permitted 6,000,000 pounds of shelled filberts to enter subject only to the import duty of 8 cents per pound, imports in excess thereof to enter subject to both the duty and a special fee of 10 cents per pound.

Certain manufactured dairy products (cheeses) (supplemental investigation)

On April 12, 1955, at the direction of the President, the Tariff Commission instituted a supplemental investigation of certain manufactured dairy products (cheeses of Italian type made from cow's milk, in original loaves), under the provisions of section 22. A public hearing was held on May 10, 1955.

The Commission reported the results of its investigation to the President on July 12, 1955.[31] In the report, the majority and minority of the Commission divided on a legal issue, namely, whether the requested amendments to the proclamation to include cheeses not now under restriction could be accomplished pursuant to subsection (d) of section 22, or whether such amendments should be the subject of a new investigation under subsections (a) and (b) of section 22. The President requested the advice of the Attorney General on this question; it was the opinion of the Attorney General that the requested amendments should not be made on the basis of the limited investigation under subsection (d). This was also the view of the majority of the Tariff Commission.

On March 21, 1956, the President announced that the proclamation

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[30] U. S. Tariff Commission, *Shelled Filberts: Supplemental Investigation Under Section 22 . . .*, 1955 [processed].

[31] U. S. Tariff Commission, *Specified Dairy Products: Report to the President . . . under Section 22 . . .*, 1955 [processed].

limiting imports of certain manufactured dairy products could not, on the basis of the Tariff Commission's limited investigation, be amended to include certain imports of cheeses not now considered subject to the terms of the proclamation. The President agreed with the majority of the Tariff Commission that the amendments requested by the Department of Agriculture could be considered only after a full-scale investigation under section 22 (a) of the Agricultural Adjustment Act, as amended. The Tariff Commission's investigation was made pursuant to subsection (d) of section 22, which provides only for the modification of existing proclamations when "changed circumstances" so require.

Restrictions Under the Sugar Act

Beginning with the Sugar Act of 1934 and continuing with the Sugar Acts of 1937 and 1948, all sugar for the United States market, whether domestic or imported, has been limited by absolute quotas, except during periods of emergency when the President has exercised his authority to suspend the restrictions. On September 1, 1951, the President approved legislation (Public Law 140, 82d Cong., 1st sess.), which became effective January 1, 1953, to extend the Sugar Act of 1948, in amended form, for 4 years. On May 29, 1956, the President approved legislation (Public Law 545, 84th Cong., 2d sess.), which further amended the Sugar Act of 1948 and extended it for a period of 5 years from January 1, 1956.

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

In general, the allocations have been apportioned according to the shares of domestic consumption that were supplied by the respective sources before the controls were imposed. Under current legislation, the allocations are made in two stages. First, for a quantity of sugar determined by the Secretary of Agriculture in each year up to 8,350,000 tons,[32] the quotas for domestic areas (continental United States, Hawaii, Puerto Rico, and the Virgin Islands) and the Philippines are absolute quantities. The remainder of the total amount determined by the Secretary of Agriculture (up to 8,350,000 tons) is allocated proportionately to Cuba (96 percent) and to other foreign countries exclusive of the Philippines (4 percent). Second,

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

for any part of the quantity of sugar determined by the Secretary of Agriculture that is in excess of 8,350,000 tons, domestic areas are allocated a 55-percent share and foreign countries other than the Philippines, a 45-percent share. Beginning in 1957,[33] the share allocated to foreign countries other than the Philippines is prorated to Cuba (29.59 percent), Mexico (5.10 percent), the Dominican Republic (4.95 percent), Peru (4.33 percent), and other countries (1.03 percent). Under the legislation in effect immediately before January 1, 1956, any increment in total estimated United States requirements as a result of expanded consumption was conferred on Cuba (96 percent) and on other foreign countries except the Philippines (4 percent). Under current legislation, however, domestic areas are granted 55 percent of future increments in total estimated requirements, and foreign countries other than Cuba and the Philippines are granted considerably larger shares of such increments than they previously had (15.41 percent, compared with 4 percent). The allocation to the Philippines, as noted above, is a fixed amount, and that country is not allocated a share of any quantity in excess of 8,350,000 tons.

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

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

Chapter 5

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

INTRODUCTION

This chapter of the report reviews what the various countries with which the United States has trade agreements have done to carry out their own obligations under the agreements. In many instances, a country's ability to fulfill its trade-agreement obligations has been closely related to the postwar recovery of its economy, which, in turn, often has been dependent to a considerable degree on United States and Canadian aid in the form of loans and other types of extraordinary governmental assistance.

During the last year or two, emphasis has shifted from exchange controls and quantitative trade restrictions to problems of economic expansion.[1] The balance-of-payments difficulties that for so long impeded the removal of restrictions on dollar imports have not disappeared, and are still serious for some countries. However, the dollar balances have increased for nearly all countries, and they have been able to build up their gold and dollar reserves to a point where at least some of the direct restrictions on dollar trade can be safely removed. Despite this improvement, most countries with inconvertible currencies—or currencies with only limited convertibility—are at present less prepared for full convertibility than they were 2 years ago.

Inflationary pressures have been largely responsible for the setback in the movement toward general convertibility and the complete removal of exchange controls and quantitative restrictions on imports. The current tendency for most countries is to concentrate more heavily on measures to combat inflation at home, in the hope that they can thus strengthen their external financial position. Monetary and fiscal measures—in the form of stricter credit controls, stricter controls of internal investment, higher taxation, and other anti-inflationary devices—are increasingly employed to stabilize the internal economies of countries; they also serve to keep the demand for imports in correspondence with a country's capacity to produce and to compete in export markets. Countries have been stimulated to employ domestic measures of this kind by the realization that failure to

[1] See, for example, Organization for European Economic Cooperation, ***Seventh Report of the OEEC: Economic Expansion and its Problems,*** Paris, 1956.

control inflation is the chief impediment to the restoration of their currencies to full convertibility.

Resort to anti-inflationary measures is especially strong in the Western European countries that belong to the Organization for European Economic Cooperation (OEEC), which has undertaken to guide its members in the adoption of substitutes for exchange controls and quantitative trade restrictions. Even among these countries, whose economic problems are substantially alike, the measures that are employed to correct maladjustments in the national and international sectors of the economies still vary considerably. Nevertheless, the general trend toward the use of anti-inflationary measures is definitely observable. Accordingly, more attention is given in this report than in previous reports to measures of this kind.

Most of the countries with which the United States has trade agreements are contracting parties to the General Agreement on Tariffs and Trade. These countries are, therefore, subject—as is the United States—to the numerous provisions of the agreement. During all or part of the period covered by this report—July 1, 1955, to June 30, 1956—trade agreements were in force between the United States and 33 countries under the General Agreement, and between the United States and 10 other countries on the basis of bilateral arrangements. Both types of agreement are concerned primarily with tariff concessions. The contracting parties have agreed to maintain these concessions and not to take any unilateral action that would impair or nullify them. Rates of duty that are bound against increase may not be increased—either by increasing the duty itself or by applying or increasing other charges on imports—without the consent of the other interested party or, under the General Agreement, other interested parties. Increases in rates of duty or other charges on imports are subject to renegotiation, just as the original concessions were subject to negotiation. The introduction of such changes without agreement of the interested parties usually gives rise to charges of violation by the country or countries whose interests are adversely affected; such charges themselves usually lead to efforts to settle the issue through negotiation. Failure to reach agreement in such cases has sometimes led to the termination of bilateral agreements to which the United States was a contracting party. A few countries have withdrawn from the General Agreement, but none has withdrawn because of its failure to reach agreement with other contracting parties on such matters.

The Contracting Parties to the General Agreement are concerned primarily with the reduction of import duties and the relaxation and eventual elimination of exchange controls and quantitative restrictions on imports. Contracting parties are expressly forbidden to employ such trade restrictions, but exception has been made to the general prohibition against the use of quantitative restrictions by permitting their use for balance-of-payments reasons. That is, countries in external financial difficulties—typically those countries with a persistent dollar shortage—may employ such restrictions as a safeguard against depletion of their reserves of scarce currencies. Countries that are in balance-of-payments difficulties are obliged to relax these restrictions as soon as their balance-of-payments position permits. They are expected also to take the necessary steps to make their currencies fully convertible, so that the restrictions may be entirely removed.

After quantitative restrictions are no longer required for balance-of-payments reasons, most contracting parties are reluctant to lose the incidental protection afforded by them. At least they are reluctant to eliminate such restrictions suddenly—especially for certain domestic commodities that they consider particularly vulnerable to import competition. This reluctance has forced the Contracting Parties to make exceptions to the rule against employing quantitative restrictions to protect domestic products from foreign competition. Individual contracting parties have asked the Contracting Parties for permission to continue for a limited time to use such restrictions to protect a domestic industry or branch of agriculture that has become adjusted to the protection afforded during the application of the restrictions for balance-of-payments reasons. To meet the insistent demand of certain countries for the right to employ quantitative restrictions in such cases, the Contracting Parties have arranged at various times to grant temporary waivers from a country's obligation to eliminate quantitative restrictions. Each successive measure for freeing imports from quantitative restrictions, however, more closely approaches the so-called hard core of hyperprotected products, and therefore meets with increasingly stronger resistance. Unlike the balance-of-payments situation, which permits discrimination against imports from hard-currency countries, the use of quantitative restrictions for protectionist reasons in hard-core cases must be on a nondiscriminatory basis.

Of the 43 countries with which the United States had trade agreements in force during all or part of the period from July 1, 1955, to June 30, 1956, 27 restrict imports for balance-of-payments reasons and discriminate between sources of supply. There are 23 General Agreement countries in this group, as well as 4 countries with which the United States has trade agreements on a bilateral basis. The General Agreement countries are Australia, Austria, Brazil, Burma, Ceylon, Chile, Denmark, Finland, France, the Federal Republic of Germany, Greece, India, Italy, Japan, the Netherlands, New Zealand, Norway, Pakistan, the Federation of Rhodesia and Nyasaland, Sweden, Turkey, the United Kingdom, and Uruguay.[2] The bilateral

[2] In 1955 these 23 countries reported to the Contracting Parties to the General Agreement on Tariffs and Trade that they maintain restrictions on imports to safeguard their balance of payments and exercise some degree of discrimination as between sources of supply, as permitted under article XIV, or under annex J, of the General Agreement. See Contracting Parties to the General Agreement on Tariffs and Trade, *Basic Instruments and Selected Documents,* Fourth Supplement, *Decisions, Reports, etc. of the Tenth Session, and Index,* Sales No.: GATT/1956–1, Geneva, 1956, p. 47.

trade-agreement countries are Argentina, Iceland, Iran, and Paraguay. The remaining countries—those that do not restrict imports for balance-of-payments reasons and that do not discriminate between sources of supply—comprise 10 General Agreement countries and 6 bilateral-agreement countries. The General Agreement countries are Belgium, Canada, Cuba, the Dominican Republic, Haiti, Indonesia, Luxembourg, Nicaragua, Peru, and the Union of South Africa.[3] The bilateral-agreement countries are Ecuador, El Salvador, Guatemala,[4] Honduras, Switzerland, and Venezuela.

Although the General Agreement lays down the rules for the relaxation and final elimination of quantitative trade restrictions, it is not intended to be an instrument for the solution of the basic problems that make such restrictions necessary. It therefore remains for other agencies to bring about such improvements in the internal economic and financial conditions of countries as will assist them to overcome their external economic and financial difficulties. The reduction of tariffs under the General Agreement, although a type of cooperative effort among countries for a particular purpose, does not in itself lead to cooperation in the use of financial aid from the United States or in the solution of such problems as the increasing of production and productive efficiency, improving the balance-of-payments position by increasing exports, combating inflation, and attaining a balanced external financial position that will permit currency convertibility. Solution of these problems has been the special responsibility of agencies that have no direct or necessary connection with the General Agreement on Tariffs and Trade, yet have worked toward the same general objectives as those sought by the General Agreement.

The objectives of such agencies as the International Monetary Fund and the World Bank, and such organizations as the Organization for European Economic Cooperation and its subsidiary, the European Payments Union, are all more or less interrelated with the objectives of the General Agreement. The Monetary Fund undertakes short-term lending functions designed to stabilize the exchange rates of member countries. The World Bank grants financial aid to countries for long-range projects of economic development. The United States Government has sought to stimulate recovery from the effects of World War II by financial assistance and other forms of aid to many countries. The OEEC was created soon after the war to enable the countries of Western Europe to cooperate with each other

[3] In 1955 these 10 countries reported to the Contracting Parties that they were not maintaining restrictions on imports to safeguard their balance of payments or discriminating between sources of supply. See ibid.

[4] The bilateral trade agreement between the United States and Guatemala was terminated on October 15, 1955. All other agreements referred to above were in force during the entire period.

in the use of United States financial assistance, instead of competing with each other for the dollars made available by such aid. In 1950 the European Payments Union was established, as an agency of the OEEC, to enable member countries to clear their payments with each other on a multilateral rather than a bilateral basis. To make this aspect of its program effective, the OEEC also undertook the difficult task of inducing its members to eliminate quantitative restrictions on intra-European trade. In carrying out this program of trade liberalization, the OEEC had in EPU the necessary machinery—which was completely lacking in the General Agreement—for providing its members with incentives to liberalize their trade and for penalizing their failure to do so. This still left to the Contracting Parties to the General Agreement the responsibility of handling such problems as granting, or not granting, waivers for the hard-core cases previously mentioned, of making adjustments in tariffs, and of dealing with violations and other issues that arise among the contracting parties.

Aside from the OEEC, there is no comparable group of trade-agreement countries organized to further the type of program for which OEEC and EPU were established. However, the countries of the sterling area have long collaborated in applying exchange controls, and have followed a more or less common policy with respect to restrictions on trade with nonsterling hard-currency countries. Through the membership of the United Kingdom in OEEC and EPU, the sterling area has cooperated in the general program of the OEEC, so that—in effect—the activities of the OEEC and the sterling area constitute a common approach to certain problems. Dollar countries, of course, have no need for such cooperative systems as OEEC and the sterling area. Switzerland—a hard-currency country surrounded by countries with inconvertible currencies—has chosen to work inside the OEEC and EPU as a matter of policy rather than from necessity. Nondollar or soft-currency countries that are not members of OEEC or that are not in the sterling area are widely scattered and have not organized formally to solve their trade and payments problems. Most of them continue—as did the Western European countries before OEEC was established—to carry on a great part of their trade under bilateral trade and payments agreements.

When EPU will finally have accomplished its purpose of removing quantitative restrictions and exchange controls and of launching its members on a regime of multilateral trade and currency convertibility, it will be due for liquidation. Plans for the liquidation of EPU do not, however, call for the termination of OEEC; the latter organization is regarded as desirable for other common purposes in the field of intra-European cooperation, such as the creation of a European customs union. Likewise the sterling area, although designed mainly to handle problems created by the inconvertibility of sterling, may possibly serve other common purposes—at least those of its British Commonwealth members—when sterling becomes convertible.

Most of the countries with which the United States has trade agreements made additional progress during 1955–56 in overcoming their external financial difficulties. They continued to match this improvement by further relaxing quantitative trade controls and exchange restrictions originally imposed for balance-of-payments reasons. In general, these relaxations applied to both soft-currency and hard-currency (mainly dollar) imports, although not always in the same degree.

General tariff revisions by a few countries during 1955–56 and numerous upward adjustments in individual rates of duty by almost all countries reflected the general tendency—noted in the Tariff Commission's last two reports—for countries to increase the protective incidence of their tariffs as they progressively eliminate the more direct forms of trade control, such as quotas and import licensing.

A new development of considerable significance related to the replacement of a number of strictly bilateral trade and payments agreements by multilateral arrangements patterned after the clearing system used in the sterling area and the European Payments Union. The so-called Hague Club and Paris Club, both of which developed during the period covered by this report, represent such currency-clearing groups of countries. The convertibility feature of these arrangements is limited to the participating countries—hence they are areas of limited convertibility—but other countries are eligible to join in the arrangements. An important incentive for participating in multilateral clearing arrangements of this type arises from their tendency to improve currency values. Clearing credits accumulated under the bilateral type of arrangement for trade and payments cannot always be liquidated as between the two participating countries. They therefore are sold—usually at a large discount—to third countries, thus in effect creating a block of depreciated currency alongside that represented by the official rate of exchange. Under such arrangements as the Hague Club and the Paris Club, in which the currencies of the various participating countries are mutually exchangeable, this undesirable effect tends to disappear.

Quantitative restrictions on imports from the United States and other dollar countries have been relaxed by a number of countries in a tentative, or experimental, way that was not anticipated when the rules for the removal of such restrictions were established in the General Agreement. The term "trade liberalization"—as applied, for example, to the treatment of imports into the various OEEC countries from each other—means the complete removal of quantitative restrictions, as evidenced by the formal freeing of such goods from restrictions. In many instances, however, dollar goods are not placed on a country's liberalization list, although such goods may be accorded nondiscriminatory treatment by being licensed freely, or at least liberally. Even though this de facto liberalization of dollar goods may serve the same purpose as the more formal type of liberalization, the United States constantly seeks to have the restrictions formally removed. Some countries have been reluctant to accord certain dollar goods, if not all imports from the dollar area, the same formal liberalization that is accorded to nondollar goods. The reason for this attitude is the fear on the part of the countries concerned that they would not be free to tighten the restrictions should their balance-of-payments position deteriorate and their gold and dollar reserves decline. They have, therefore, chosen to approach the question of trade liberalization for dollar goods on a cautious and experimental basis. This caution is reflected in their relaxation of licensing requirements for such goods without formally removing them from the list of goods subject to license.

In this chapter the discussion of developments with respect to the use of nontariff trade controls by countries with which the United States has trade agreements is followed by a review of the more important tariff changes of those countries. The individual countries are considered on the basis of whether they fall in one of the following groups: (1) Western European countries that are members of the OEEC; (2) countries of the sterling area (chiefly British Commonwealth countries); (3) various nondollar countries (other than those in groups 1 and 2); and (4) dollar countries.

THE OEEC COUNTRIES

The United States has trade agreements with 15 of the 17 Western European countries that are members of the Organization for European Economic Cooperation—Austria, Belgium, Denmark, France, the Federal Republic of Germany, Greece, Iceland, Italy, Luxembourg, the Netherlands, Norway, Sweden, Switzerland, Turkey, and the United Kingdom.[5] The trade agreements with 13 of these countries are under the General Agreement on Tariffs and Trade; only those with Iceland and Switzerland are on a bilateral basis. In this chapter, developments relating to the United Kingdom are discussed in the section on the sterling area rather than in the section on the OEEC, since the United Kingdom holds the central position in the trade and financial arrangements of countries that conduct their trade on a sterling basis. Membership of the United Kingdom (and with it other countries of the sterling area as "associate" members) in the European Payments Union serves as a link between the OEEC countries and the sterling area in the common purpose of these two large groups of countries to restore trade to a multilateral basis through coordinated efforts to remove trade restrictions and to establish general currency convertibility.

The European Payments Union was created in 1950 as a clearinghouse for coping with the trade-and-payments problems faced by the countries of

[5] The United States has no trade agreements with Ireland or Portugal, both of which are members of OEEC.

Western Europe that had earlier organized themselves into OEEC.[6] EPU was never intended to be a permanent adjunct to OEEC. Rather, it was designed to be a temporary agency to transact trade between the OEEC countries on a multilateral basis until such time as these countries were in a position to extend the principle of multilateralism beyond their own limited area to other currency areas. Essentially, the cooperative efforts of OEEC and EPU were directed almost entirely to a solution of the "dollar problem" faced by these countries. The Payments Union provided a mechanism with which the OEEC countries could utilize most efficiently the dollar aid they received, by acting in cooperation to build up their reserves of dollars instead of competing with each other for the limited supply of dollars. The same principle also applies to currencies other than United States and Canadian dollars of which the OEEC countries are in short supply. These other currencies include those of a number of Latin American countries that are freely convertible into dollars. Although Switzerland is a member of OEEC and EPU, its membership in these organizations is a matter of convenience and of interest in the general aims of European economic cooperation, and not a result of balance-of-payments difficulties with the dollar area. The Swiss franc is fully convertible for residents; Switzerland maintains exchange control for nonresidents as a concession to its close association with other countries whose currencies are not fully convertible.

The fact that by the middle of 1955 the OEEC countries felt that they were in a position to begin the liquidation of the European Payments Union indicates the success of the cooperative efforts of these countries up to that time in attaining a high degree of multilateralism in their trade and payments. EPU had been renewed for a period of 1 year from July 1 in each of the years 1951–54. Shortly before the renewal date of July 1, 1955, however, the Council of the OEEC reached agreement on certain new principles and conditions for its renewal. It was decided, first, to extend the life of EPU for 1 month—to July 31, 1955—on the same conditions as had applied from July 1, 1954, to June 30, 1955, to allow more time to work out the conditions under which the Payments Union would operate for the remaining 11 months of the new period. The main problem was to make arrangements for a collective approach of the OEEC countries to convertibility. Some of these countries were ready—or almost ready—to place their currencies on a convertible basis, after which they would no longer require the services of EPU. Other countries, however, were not yet prepared to take this step, and probably would not be for some time, or until they no longer required the kind of clearing services that EPU provides. It was therefore decided that all the OEEC countries would continue to apply the OEEC code of trade liberalization; this decision in itself repre-

[6] Previous reports of the Commission have discussed in detail the purpose, organization, and operation of the European Payments Union.

sented a collective approach to the removal of quantitative restrictions on intra-OEEC trade.

As a result of these various considerations, it was decided that the conditions under which EPU would remain in force through June 30, 1956, would be linked with new provisions for a system of financial cooperation between countries with convertible currencies and those still working toward the objective of convertibility. The new arrangements included provision for the establishment of a European monetary agreement to succeed the European Payments Union, and of a European fund to serve as "residual legatee" of EPU for the purpose of continuing a multilateral system of settlements and for providing the extension of short-term credit to those countries still in need of such accommodations. It was provided that, under certain conditions, EPU could be terminated at any time before June 30, 1956; these conditions included the coming into force of the European Monetary Agreement. No termination date was set for the European Monetary Agreement and the European fund; both were designed to remain in force for an indefinite period.

Of major importance was the decision that, for the remainder of the renewal period (August 1, 1955–June 30, 1956), all surpluses or deficits within the Payments Union would be settled on the basis of 75 percent gold and 25 percent credit, instead of 50 percent gold and 50 percent credit—the basis in effect since July 1, 1954. Adoption of the new ratio indicated a considerable further step toward convertibility, and reflected the increase in the gold and dollar reserves of the OEEC countries as a group. The new ratio reduces the financial incentive to maintain discriminatory quantitative restrictions on imports of goods and services from countries with fully convertible currencies, and serves to emphasize the progress that these countries have made toward the elimination of discrimination against the dollar area.

The European Payments Union was not terminated on June 30, 1956; it was prolonged for an additional year on the recommendation of the managing board of the Payments Union. The conditions for its continuation were the same as those under which it operated in 1955–56, including retention of the termination clause under which the European Monetary Agreement would come into force upon termination of EPU.

The revival and spread of currency arbitrage among the countries of Western Europe has, of course, indicated their increasing ability to do without the services of multilateral settlements under a special mechanism such as EPU and to make their settlements through the foreign-exchange markets. Under the new arrangements provided in the European Monetary Agreement, it is expected that member countries will normally find it in their interest to buy or sell currencies in the foreign-exchange markets rather than through the more costly facilities afforded by the agreement's multilateral system of settlements. Nevertheless, the system will be available to those countries that desire to use it, and will provide a safeguard for countries with relatively weak currencies.

United States interests are still adversely affected by the continued practice of OEEC countries of negotiating bilateral trade and payments agreements with each other and with countries outside OEEC, particularly when the agreements are of long duration and extensive in scope. Even when these arrangements are restricted to commodities not yet freed from quantitative import restrictions (as under the OEEC code of trade liberalization), or to those for which it is difficult to find foreign outlets on a freely competitive basis, they tend to prolong discrimination against dollar goods and to forestall trade liberalization for such goods. The United States recognizes the right of foreign countries to discriminate against United States imports when their dollar balance-of-payments position clearly justifies such discrimination, although it has been found necessary in many instances to remind them of their obligation under the General Agreement to remove their restrictions on dollar imports when their dollar position permits. This approach has resulted in the removal of discrimination against many United States products. The United States does not, however, recognize the right of contracting parties to the General Agreement to discriminate against United States goods on the ground that the discrimination is made necessary by their use of bilateral trade agreements. The General Agreement does not permit the maintenance of import restrictions on the basis of obligations assumed by contracting parties under bilateral agreements.

During the past year there was a marked tendency for some of the OEEC countries to break away from their former reliance on bilateral trade and payments agreements, particularly those with Latin American countries, and to enter into arrangements permitting limited multilateral transactions. The so-called Hague Club and Paris Club represent arrangements of this sort.[7] The United Kingdom has long opposed the use of bilateral trade and payments agreements, and has protested individual agreements—for example, the bilateral agreement between West Germany and Brazil—when they conflict with British interests. West Germany and some of the other continental OEEC countries tend to lose interest in strictly bilateral arrangements as their export trade becomes more firmly established. The conflict between bilateral arrangements and the general drive toward currency convertibility tends to promote the abandonment of bilateralism.

The United States is vitally interested not only in the removal of quantitative restrictions on dollar imports and the removal of the discrimination which such restrictions generally imply, but also in the removal of quantitative restrictions on the imports of the OEEC countries from each other.

[7] See the discussions of these in the sections of this chapter on the Federal Republic of Germany, Argentina, and Brazil.

Some of the OEEC countries, notably the Benelux countries, have applied the same degree of trade liberalization to dollar imports as to OEEC imports, thus removing the discrimination against dollar goods, and the United States has sought to persuade other countries to do likewise. Table 4 shows the percentage of private imports from the OEEC area freed from quantitative restrictions by individual members of the area under liberalization lists, as of December 31, 1955. Table 5 shows the percentage of private imports from the United States and Canada freed from quantitative restrictions—also under liberalization lists—as of January 1, 1956.[8] It

TABLE 4.—*OEEC countries: Percentage of private imports from the OEEC area freed from quantitative restrictions under liberalization lists,*[1] *as of Dec. 31, 1954, and Dec. 31, 1955*

[Based on import figures for 1948 [2]]

Country	Dec. 31, 1954	Dec. 31, 1955
Austria	82.4	[3] 88.7
Benelux countries:[4]		
Belgium-Luxembourg	87.7	91.1
Netherlands	92.5	
Denmark	75.9	78.4
France	64.6	[5] 77.5
Germany (Federal Republic)	90.1	91.3
Greece	[6] 97.0	[6] 95.0
Iceland	29.0	29.0
Ireland [7]	76.8	90.2
Italy	99.7	99.1
Norway	75.0	75.0
Portugal [7]	92.8	93.7
Sweden	91.2	92.6
Switzerland	91.6	92.5
Turkey	[8] 0	[8] 0
United Kingdom	82.9	84.8
Average	83.3	[9] 85.8

[1] The liberalization lists contain items from which import controls have been removed, as distinct from items that are still under import control but that actually are admitted freely or in substantial quantities by administrative action.

[2] Except Austria, for which the base year is 1952, and West Germany, for which the base year is 1949.

[3] On Jan. 1, 1956, Austria increased its liberalization to 90.3 percent.

[4] The Benelux countries—Belgium, Luxembourg, and the Netherlands—introduced a common liberalization list for the OEEC area on June 1, 1954.

[5] In January 1956, France increased its liberalization to 79 percent, and in April 1956, to 82 percent.

[6] Greece has de facto liberalization of imports from the OEEC area of the percentages shown, but this represents an experimental measure, not officially notified to OEEC.

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

[8] Turkey withdrew its liberalization measures in April 1953, at which time its coverage was 63 percent.

[9] Between January and June 1956, the overall liberalization was increased to about 87 percent as a result of new measures of liberalization by Austria and France.

Source: The Organization for European Economic Cooperation, *Seventh Report of the OEEC: Economic Expansion and its Problems*, Paris, 1956, p. 67; and the Contracting Parties to the General Agreement on Tariffs and Trade, *International Trade 1955*, Sales No.: GATT/1956–2, Geneva, 1956, p. 167.

[8] The percentage figures in the two tables are not comparable, since those representing intra-European liberalization (table 4) are based mainly on import figures for 1948, while those representing dollar liberalization (table 5) are based on import figures for 1953. The discrepancy is apparent in the Benelux percentage of liberaliza-

should be noted that "liberalization" means the complete removal of import controls, and that both the OEEC liberalization lists and the dollar liberalization lists of the various OEEC countries include only items from which quantitative restrictions have been removed by formal official (de jure) action. The lists do not cover items which, although still officially subject to import restriction, actually are admitted freely or in substantial quantities by administrative action.

The percentages of liberalization reached by the OEEC countries for imports from the OEEC area represent the upper limits of their mutual trade

TABLE 5.—*OEEC countries: Percentage of private imports from the United States and Canada [1] freed from quantitative restrictions under liberalization lists, [2] as of Jan. 1, 1956*

[Based on import figures for 1953]

Country	Percent	Country	Percent
Austria	8	Italy	24
Benelux countries [3]	87	Norway [5]	0
Denmark	55	Portugal [4]	53
France	11	Sweden	64
Germany (Federal Republic)	68	Switzerland	98
Greece	99	Turkey [5]	0
Iceland	33	United Kingdom	56
Ireland [4]	15		
		Average [6]	54

[1] Since some of the OEEC countries have liberalized imports from the United States and Canada but not from the dollar area as a whole, the percentages are shown for the United States and Canada only.

[2] Account is taken only of private imports from the United States and Canada which appear on the liberalization lists of the OEEC countries that have such lists; these lists cover items from which import controls have been removed, as distinct from imports that are still under restriction but may be admitted freely by administrative action. Addition to the percentages shown of imports freely admitted but still subject to restrictive measures would increase the coverage appreciably for some of the countries.

[3] The Benelux countries (Belgium, Luxembourg, and the Netherlands) introduced a common liberalization list for the dollar areas on June 1, 1954; this is substantially the same list that is applied to imports from OEEC countries.

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

[5] As of Jan. 1, 1956, Norway and Turkey had no liberalization lists for the dollar area; imports from the United States and Canada and other dollar countries are admitted under controls on the basis of essentiality indicated by the availability of dollar exchange.

[6] Average does not include Norway and Turkey.

Source: The Organization for European Economic Cooperation, *Liberalisation of Europe's Dollar Trade*, Paris, 1956, p. 11.

tion for the OEEC area (91.1 percent) and that for Canada and the United States (87 percent); actually, the Benelux countries have a common liberalization list for both the OEEC countries and the United States and Canada. In the interest of uniformity, the analysis of dollar liberalization is limited to the United States and Canada, since some of the OEEC countries do not extend their liberalization to other dollar countries.

liberalization, since there are virtually no such experimental or tentative relaxations as most of them have for dollar imports in addition to their de jure liberalization lists. Such OEEC trade as is admitted freely by individual OEEC countries, besides that on the OEEC liberalization lists, is largely the result of bilateral agreements affecting items not yet liberalized for the whole area. The figure of 85.8 percent given for the overall intra-OEEC trade liberalization as of December 31, 1955, is considerably higher than comparable figures for earlier periods; for example, on December 31, 1951, that figure was 62 percent.

A number of countries have firmly insisted that they must continue to apply quantitative restrictions on imports of certain hard-core commodities—mostly agricultural products—to protect their production of hard-core commodities from foreign competition. The General Agreement on Tariffs and Trade requires contracting parties to restrict the use of quantitative import restrictions to the safeguarding of their balance of payments, and to abandon such restrictions when their balance-of-payments difficulties have disappeared. The only recourse of countries that wish to retain such protection in the absence of balance-of-payments difficulties, therefore, is to seek a waiver from the general rule against using quantitative restrictions for protective reasons. Belgium and Luxembourg raised this issue when they requested such waivers upon becoming free of the external financial difficulties that had originally resulted in the use of the quantitative restrictions in question. Other countries that have substantially the same problems as those of Belgium and Luxembourg with respect to the protection of hard-core industries or branches of agriculture have made it clear that they also are prepared to request such waivers when the time arrives that they will be unable to impose quantitative import restrictions for balance-of-payments reasons.

It is also a matter of concern to the Contracting Parties to the General Agreement when a contracting party—whether or not it is a member of OEEC—levies "compensatory taxes" on imported commodities at the time it frees them from quantitative restrictions, if such commodities are bound against increase in duty or other charges in the agreement. France resorted to this means of compensating for the removal of quantitative restrictions and, for a considerable time, has been under pressure from the Contracting Parties to eliminate its compensatory taxes.

Matters such as those just mentioned come before the Contracting Parties for review and action; they are discussed in chapter 2 of this report, a chapter which deals with developments relating to the general provisions and administration of the General Agreement. They are also discussed below in the section devoted to actions by individual OEEC countries to relax or intensify their quantitative trade restrictions and exchange controls, especially when such actions are of particular interest to the United States.[9]

Austria

Although Austria did relatively little in 1953–54 and 1954–55 to remove quantitative restrictions on imports from the dollar area, there were indications during the latter period that it was preparing to accord more liberal treatment to dollar goods. In October 1954, Austria considerably reduced the duty on imports of automobiles. At the same time, it removed the quantitative restrictions on imports of passenger cars from the United States and made available the dollar exchange necessary for their purchase.

Austria's first major liberalization of imports from the dollar area, however, took place in July 1955 with the publication of a list of commodities that could be imported from the United States and Canada without special license. This action largely represented a formalization of Austria's policy—which had been in operation for some time—of freely licensing most of the goods on the list on application. The new dollar liberalization list included—besides passenger cars—a number of condiments; certain fats, oils, lubricants, and waxes; fruit and berry juices; canned fish; canned fruits; coking coal; lead ores; a number of textile fibers; unexposed motion-picture film; certain dyes; sulfur; and certain acids. Trade in the commodities included in the list represented about 8 percent of total Austrian imports from the dollar area in 1954. The list did not include certain articles, such as leather of various kinds, which Austria was not yet ready to add to the dollar liberalization list. Later, however, Austria expressed a willingness to license leather and certain other articles freely and to provide the necessary dollar exchange. This represents an illustration of the type of de facto liberalization that the United States has been pressing to have turned into formal liberalization.

In January 1956, Austria slightly increased the degree of liberalization of imports from OEEC countries, from 88.7 percent to 90.3 percent. It

[9] OEEC countries that are not discussed separately below are Iceland, Switzerland, and Turkey. Each of these countries continued in 1955–56 to maintain substantially the same policies as it did in the previous period with respect to the liberalization of intra-OEEC trade and trade with the dollar area. Switzerland's liberalization of imports is about the same for both areas. Turkey, at the other extreme, has not formally liberalized imports from either group of countries. Besides relying on the restrictive measures still applied to imports, Turkey also seeks to combat inflationary pressures and balance-of-payments deficits by the use of fiscal and monetary measures. By the end of 1954, Iceland had freed 29 percent of its imports from the OEEC area from quantitative restrictions, but, on the whole, its trade balance and its balance-of-payments position have deteriorated seriously, as have also its general economic prospects. Under these conditions, Iceland has been in no position to do much toward relaxing its restrictions on imports and foreign payments. Early in 1956, Iceland authorized increases in import duties and duty surcharges on a number of articles to raise additional funds for financial assistance to the fishing industry.

also began to exercise control over many imported commodities by issuing exchange permits for them, rather than import licenses. For products other than agricultural products or for products not subject to quotas, such exchange permits are issued automatically.

Austria's current practice of admitting goods during a transitional period at duties lower than those in its tariff schedule dates from June 1954, when a new list, superseding previous lists, was issued showing the lower effective rates. This list has been amended from time to time, and the transitional period has been extended. The lower duties in effect in May 1955 were extended until December 31, 1956. The reduced duties apply largely to goods that are not produced in Austria, or those for which domestic production does not meet domestic requirements.

The Benelux Countries

On June 1, 1954, the Benelux countries—Belgium, Luxembourg, and the Netherlands—introduced a common, or single, list of goods freed from quantitative restrictions when imported from the dollar area. They continued, however, to maintain their own separate liberalization lists—one for the Belgo-Luxembourg Economic Union (BLEU) and one for the Netherlands—for imports from the OEEC area until the beginning of 1956, when they put into effect a single list for Benelux imports from member countries of OEEC. Since then the three countries have been treated as a single country with respect to their obligations as to intra-European trade liberalization.

With few exceptions, the common dollar liberalization list of the Benelux countries introduced in June 1954 is the same as that applied to OEEC countries; thus the discrimination against dollar goods was virtually eliminated. By early 1956 the Benelux countries had freed from quantitative restrictions 91 percent of their imports from other OEEC countries, and substantially the same percentage from the dollar area. There are no restrictions on the movement of the listed liberalized imports between the Benelux countries.

The 9 percent of Benelux imports still subject to quantitative restrictions consist mainly of hard-core agricultural products, the imports of which are restricted by Belgium and Luxembourg as a protectionist measure. They can no longer restrict any imports for balance-of-payments reasons, since they had previously indicated to the Contracting Parties that they were not applying quantitative restrictions for such reasons. The Netherlands, on the other hand, has given no such indication to the Contracting Parties, and is therefore still free to apply quotas to imports for balance-of-payments reasons. Belgium and Luxembourg requested, and were granted, a waiver from their commitments under article XI of the General Agreement, which requires the general elimination of quantitative restrictions on imports from or exports to other contracting parties.[10]

The request of Belgium and Luxembourg for the waivers granted them by the Contracting Parties was based largely on their desire to restrict imports of agricultural and certain other products from the Netherlands on the ground that the sudden removal of the import restrictions would result in serious injury to the domestic interests concerned. However, in May 1955 Belgium and the Netherlands had entered into an agreement providing for the harmonization of the agricultural policies of the two countries during the ensuing 7 years, and the Contracting Parties considered this as constituting a safeguard for the removal on a cooperative basis of restrictions against imports from other contracting parties. In practice, BLEU and the Netherlands apply a liberal import policy to products not on the liberalization list, a practice that in most cases is equivalent to de facto liberalization.

In March 1956, the Netherlands expanded the possibility of importing or exporting without a license almost all liberalized imports and exports from or to OEEC countries and certain other nondollar countries. Previously, a simple declaration sufficed for transactions not exceeding 10,000 florins; licenses were required for transactions that exceeded that amount, although such licenses were issued freely. With the change of March 1956, the declaration system was applied to most imports and exports, irrespective of the sums involved.

Both the Netherlands and BLEU have long used compensatory import taxes to counterbalance internal taxes that are levied on similar domestically produced goods. Both the compensatory import taxes and the internal taxes are subject to frequent revision. In the Netherlands a turnover tax charged on imported goods may be increased by decree to remove or reduce any difference in burden that may arise between taxation on imported goods and taxation on domestic goods. In April 1956 the Netherlands issued a consolidated list of goods covered by previous decrees, but for most items there was no change in the tax.

The decision by BLEU to apply compensatory taxes on certain goods has sometimes been tied in with licensing requirements. In January 1956, about 150 items (mostly textiles) that had previously been exempted from licensing as part of the Union's trade-liberalization measures were again placed under license to prevent unduly heavy imports, pending the application of the compensatory import tax. In February, however, many of the textile items that had been placed under license in the preceding month were exempted from the licensing requirement even though no action had taken place regarding the application of the compensatory import tax. These

[10] For further details regarding the handling of this request by the Contracting Parties, see ch. 2.

items were reported to have been exempted from the licensing requirement in order to lighten the heavy workload of the licensing officials.

In the spring of 1956, Belgium decided to abolish compensatory import taxes on a number of products in order to stimulate imports and increase competition. This action was only part of the official policy at that time to take measures to counteract the continuous upward trend of prices and wages that was threatening to place the Belgian economy at an increasing disadvantage in export markets. Both in BLEU and the Netherlands, anticyclical measures of various kinds were taken to reduce the demand for investment goods and consumer goods in an attempt to control the boom that had developed. The Benelux countries also relaxed and simplified their controls on the use of foreign exchange and on the purchase and sale of foreign securities by residents.

In 1955–56, relatively few changes were made in the Benelux tariff duties. Duties were temporarily suspended on a few items, and special antidumping duties were applied to certain imports from East Germany, Hungary, and Poland. Effective June 1, 1956, the rates of the Benelux tariff were increased on a number of items, including certain plastic tubes, sodium hydrosulfite, certain sheep and goat leathers, needles, iron and steel pins, and aluminum spraying powder. Duties were imposed on certain disinfectants and similar preparations, and duties were temporarily suspended on some chemical products, sawn wood, and portland cement. The import duties were reduced on glass in plates or sheets and on parts of accordions.

Denmark

During the period covered by the Commission's eighth report on the operation of the trade agreements program, Denmark made much more progress than it previously had in relaxing its restrictions on dollar imports. Because its overall foreign-exchange position still was far from satisfactory, however, Denmark adopted a tight monetary and fiscal policy to further curtail consumer purchasing, in the hope that such action would improve the country's critical foreign-exchange position. The measures adopted included more severe restrictions on bank credit, a curtailment of public and private building activities, and a reduction in defense expenditures. In addition, Denmark imposed new domestic sales taxes and higher import duties on a number of consumers' goods, with a view to curtailing imports of such commodities. These measures were officially credited with improving Denmark's external financial position during 1955 and 1956. Total bank loans declined sharply, and, as domestic sales declined, domestic producers tended to shift their sales to the export market. As export sales increased, and thus eased the country's foreign financial position, Denmark still further relaxed its restrictions on imports, particularly on those from other OEEC countries and the dollar area.

Denmark has established a number of "free lists"[11] in which it classifies imports. The most important of these lists are a regional free list for the OEEC countries alone and a general free list for the OEEC countries and the dollar area. No licenses are required to import articles on these two lists. In addition, there is a regional list and a general list for which the authorities are prepared to issue licenses to recognized importers without imposing restrictions. There is also a regional (OEEC) list of products subject to quota, and until recently there was a list of products for which import licenses were issued freely provided importers made advance deposits with the central bank. Denmark increases its degree of trade liberalization mainly by adding quota-controlled commodities to the regional and the general free lists or by shifting commodities already on the regional free list to the general free list.

On July 1, 1955, Denmark increased its overall liberalization of imports from the OEEC area and the dollar area by adding a number of items to the general free list. These items were flaxseed, some rubber articles, battery separators, steel bearings, and a few others. At the same time, Denmark added to the list of commodities for which licenses—although still required—are issued freely if such commodities are imported from the OEEC and dollar areas. On July 1, Denmark also added a number of items to its regional (OEEC) free list. This action increased Denmark's overall liberalization of OEEC imports from 75.9 percent to 78.4 percent. The increased liberalization was in compliance with Denmark's obligation—under the OEEC recommendations of January 1955—that by July 1 members liberalize 10 percent of their OEEC imports that were still subject to license.

On November 1, 1955, Denmark further liberalized its import restrictions by adding still more items to its general free list. These additions increased to about 55 percent the proportion of Denmark's dollar imports that were exempt from the licensing requirement; this represented a considerable increase over the ratio in February 1955, when the liberalization list covered only 38 percent of Denmark's dollar imports. The imports thus newly liberalized, which had previously been liberalized for importation from the OEEC area, included spare parts for motor vehicles, office machinery, oilcake, rice, soybeans, undressed hides and skins, and certain articles of copper and zinc. No new items were added to the regional free list at that time.

Denmark has sought to discourage internal sales of certain imported commodities, especially motor vehicles, by means other than direct import restrictions. Sales of passenger cars and motorcycles have been reduced by imposing tighter regulations on installment sales, by further restricting bank

[11] As used here and elsewhere in this report, the term "free list" is synonymous with the term "open general license"; it refers to freedom from the restrictive application of individual licensing requirements, and does not indicate that the products are "free of duty."

credit, and by increasing the gasoline sales tax. In addition, Denmark has sharply reduced the number of permits issued for the purchase of imported passenger cars and motorcycles without the payment of a heavy premium.[12] Some 80 percent of Denmark's imports of automobiles come from West Germany and the United Kingdom. A strong trend toward the purchase of smaller and cheaper cars has favored imports from these two countries, especially West Germany, and has resulted in a decline in sales of United States cars. Licenses are not usually granted for imports of United States motorcycles.

The higher import duties imposed to curtail imports affected the Danish textile schedule chiefly. This schedule was extensively revised and went into effect in March 1956. Most of the duties on textiles were changed from a specific to an ad valorem basis, and on most goods the duties were considerably increased. Simultaneously with this action, textiles were added to the regional, or OEEC, free list; this resulted in increasing the Danish import liberalization from OEEC countries from 78.4 percent to 85.5 percent. Upon entry into force of the new rates of duty on textiles and the addition of textiles to the list of OEEC imports that might be freely licensed, Denmark abolished its system of licensing such imports from OEEC and certain other countries only on condition that the importers made advance deposits (varying between 30 percent and 45 percent of the value indicated on the import license) with the central bank.

France

In response to the requirements of its expanding industrial production, France greatly increased its imports from the United States in 1955. The increased demand for United States products was reflected in a series of Government measures allocating more dollar exchange for the purchase of various categories of commodities considered essential to the French economy, and relaxing the stringent controls on imports of such commodities.

In July 1955, and at various times thereafter, France published lists of a wide variety of raw materials and finished and semifinished industrial goods (machinery, instruments, and other equipment) for which dollar exchange would be made available for importation from the United States and Canada. Importers still were required to apply for the necessary import licenses, but the Government's willingness to allocate the exchange indicated that it would freely issue the licenses. The licensing requirement is still in effect, except for certain articles on which the requirement was withdrawn early in 1956.

France's record in liberalizing its imports from OEEC countries has long

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[12] For a detailed explanation of the Danish system of premium payments on imported motor vehicles, see *Operation of the Trade Agreements Program* (seventh report), pp. 152–153.

been characterized by a reluctance to move as rapidly as is required by the OEEC liberalization code, and by its insistence on applying temporary compensatory taxes to newly liberalized imports to partially offset the loss of protection resulting from relinquishment of quantitative restrictions. Under pressure from the OEEC Council, which in January 1955 had recommended that member countries remove quantitative restrictions from another 10 percent of their unliberalized private OEEC imports, France in August 1955 increased its liberalization from 75 percent to 77.5 percent. Early in January 1956 it increased the level of liberalization to 79 percent, and in April 1956, to 82 percent. France originally had promised to reach a liberalization level of 85 percent by that time, but this objective was not attained because of opposition from producers of certain agricultural and industrial products. As in its previous liberalization measures, France coupled the removal of quantitative restrictions with the application of temporary compensatory taxes, ranging from 10 to 15 percent, on most of the items that were freed from restriction.

France's relatively rapid liberalization of OEEC imports—from 64.6 percent in 1954 to 82 percent in April 1956—contrasted sharply with its treatment of dollar imports, which remained subject to strict licensing control despite a considerable improvement in the country's balance of payments. Compared with the liberalization of dollar imports by most other OEEC countries—especially the Benelux countries and Switzerland, which had practically ended discrimination against dollar goods—virtually no action in this direction had been taken by France. However, when France published its additional liberalization list for OEEC imports, effective January 1, 1956, it also issued a list of about 230 commodities that might be imported freely (that is, without license) from the United States and Canada, thereby establishing a level of about 11 percent trade liberalization for imports from those countries. The liberalization did not apply to imports from other dollar countries. Until that time, all imports from the dollar area had been subject to license, although licenses were issued with increasing liberality. The new list of United States and Canadian goods freed from the licensing requirement included chiefly machinery (except agricultural machinery), various chemicals, and timber products. All of these had previously been freed from restrictions when imported from OEEC countries. Cotton and tobacco are France's principal dollar imports, but even these commodities are not free of restrictions, being subject to quotas. Except for cotton and tobacco, very few United States agricultural products are permitted to enter France, and then only in limited quantities and at a premium rate of exchange. Moreover, France has refused to hold out any promise that it will relax restrictions in the near future on certain United States agricultural products for which the United States has pressed for more liberal treatment. United States fruit, for example, has been imported in limited quantities, and payment has been made in so-called compensation deals, which involve the payment by importers of high premiums for dollars. These restrictions result in part from the French policy of protecting domestic and colonial production, and in part from bilateral trade agreements with certain European and Latin American countries. Citrus fruits and raisins imported from the OEEC area have been freed of quantitative restrictions, although imports of lemons, grapefruit, and raisins from all sources were made subject to the special compensatory import tax. Apples are admitted under quotas, as during the 1954–55 season, under bilateral trade agreements with Argentina, Chile, Belgium, Italy, the Netherlands, Switzerland, and Yugoslavia. Pears and prunes imported from nondollar sources are similarly given preference.

On January 1, 1956, France placed in effect a new import tariff. This tariff represents mainly a change from the nomenclature of the previous tariff, adopted at the beginning of 1948, to the nomenclature agreed upon in the Brussels Convention of 1950. Increases or reductions in duty on specific commodities that had been made in connection with negotiations completed or in progress under article XXVIII of the General Agreement on Tariffs and Trade were put into force under the new tariff.

France makes frequent changes in individual tariff rates and other charges on imports. Increases of rates bound in the General Agreement can be made under terms of the agreement only by negotiation with other contracting parties, but unbound rates can, of course, be changed by unilateral action. Many reductions or suspensions in French duties and taxes are on a temporary basis, and are quite often made for the purpose of confronting domestic producers with increased competition from imports and thus forcing them to reduce their prices. Somewhat related to this "shock treatment" is the practice of temporarily reducing or suspending duties or other charges on imports in order to augment attempts of the Government to control the prices of goods included in the retail-price index in order that they may not reach a level where wage increases would automatically become effective. Early in 1956, the French Government resorted to this procedure in an effort to arrest the rising trend of food prices. It temporarily suspended the import duty on eggs, as well as the 12-percent sales tax on a number of other food items, and authorized the importation of certain vegetables from specified European countries in amounts in excess of the established quotas.

At various other times between July 1, 1955, and June 30, 1956, the French Government made other changes in duties and taxes on imported goods. In September 1955, import duties were temporarily suspended on certain chemical products; a duty of 10 percent ad valorem was levied on certain nitrogenous fertilizers, previously duty-free; and the previously suspended duty on crude whale oil was reestablished. However, the duties on imports of fertilizers and whale oil made within quota limits and during specified periods were temporarily suspended. In November 1955, France substantially increased its import duties on clocks and watches.

In January 1956, action was taken to suspend until December 31, 1956, the import duty of 20 percent ad valorem on certain dyes used by the French textile industry. Effective January 1, 1956, the French import duty of 20 percent ad valorem on certain leather and imitation-leather footwear and the 15-percent or 20-percent duties on refined whale oils and greases, previously suspended, were reestablished.[13] The 15-percent rate on whale oils and greases for the manufacture of edible fats continued under suspension within a fixed-quota limit until the end of 1956. Later in January 1956 the French duty of 8 percent ad valorem on castor seeds and castor oil was suspended.

The duty of 5 percent ad valorem on uncovered rubber thread had been increased to 20 percent ad valorem on January 1, 1956, as a result of renegotiations under the General Agreement, but before the end of January the new duty was temporarily reduced to the previous rate of 5 percent ad valorem. The duty had been increased in order to facilitate the development and expansion of rubber-thread production in France, but was almost immediately reduced to its old level because of the conviction that French production of rubber thread was not yet large enough to satisfy domestic requirements.

France also made numerous changes in 1955–56 in its taxes or other nontariff charges on imports, some of which taxes and charges also apply to similar domestic products. Some of the aforementioned changes represent an attempt to reform and streamline the tax system. Other taxes and charges affecting imports—notably the "statistical and customs control tax," the "stamp tax," and the "special temporary compensation tax" on certain imported products—have long been the subject of complaints to the Contracting Parties to the General Agreement alleging violation of the agreement. These complaints are reviewed in chapter 2, where matters brought before the Contracting Parties are discussed.

France also made some further reductions in its tax rebates on French exports, reflecting in part an improvement in the country's export position, and in part a movement to conform to the program of the Contracting Parties to the General Agreement for the elimination of artificial stimulation of exports. Effective December 1, 1955, the refund on fiscal and social payments made in the process of producing certain export commodities was reduced from 7.5 percent ad valorem to 5.0 percent of the export value

[13] The 15-percent rate applies to whale oils and greases imported for the manufacture of edible fats, and the 20-percent rate applies to imports of whale oils and greases for other uses.

for the most favored category of exports, and from 4.2 percent to 2.5 percent for the next most favored category.[14]

Federal Republic of Germany

Over the past few years the Federal Republic of Germany has accumulated sufficient gold and dollar reserves to enable it to give up the trade-balancing features of the European Payments Union and adopt general convertibility for its currency. However, it has postponed taking this step until other OEEC countries, particularly the United Kingdom, are ready to take similar action; it has therefore continued to operate within the framework of the European Payments Union. By the middle of 1953, West Germany had freed 90 percent of its private imports from other OEEC countries from quantitative restrictions and had begun to carry out its objective of achieving the same level of liberalization for dollar imports. Between February 1954 and May 1955, West Germany placed a total of 4,200 items —out of about 6,600 tariff items open to private trading—on its dollar liberalization list. In June 1956, about 600 more items were added to the West German dollar liberalization list; of these items about 140 were agricultural products and the remainder, industrial goods. The principal items on this new list were offal; fish; egg products; tobacco; cigars and cigarettes; certain tropical fruits; tea; spices; certain types of seed; certain canned foodstuffs; lubricants; copper; automobiles with engine capacity up to 3,000 cc. (i.e., small automobiles); a number of chemical, rubber, timber, paper, textile, and iron and steel products; coffee; and coal. Small automobiles, of course, are not of importance in West Germany's imports from the United States, but most of the other items are. Before this liberalization measure for dollar goods was placed in operation, it was estimated that West Germany had freed 68 percent of its dollar imports from quantitative restrictions; the action of June 1956 increased the dollar liberalization coverage to 93 percent, or approximately in correspondence with its liberalization of imports from the OEEC area.[15]

Prior to West Germany's new dollar liberalization measures of June 1956, its treatment of imports from the OEEC area and from other non-

[14] On December 1, 1954, these taxes had been reduced from 8.72 percent to 7.5 percent, and from 5.45 percent to 4.2 percent, respectively.

[15] It is not true, as the percentages of trade liberalization appear to indicate, that discrimination against dollar goods has been entirely eliminated. By the action of June 1956, West Germany had removed quantitative restrictions on imports of 4,800 private-trade items from the dollar area. Up to that time it had removed restrictions on 6,000 private-trade items from the OEEC area, leaving a "discriminatory gap" of 1,200 items on which dollar-area restrictions had not been removed. However, West Germany approves applications to import most of the 1,200 items from the dollar area (as it approved such applications for coffee, coal, and some other items before they were formally liberalized in June 1956), thus placing dollar goods on approximate equality of treatment with OEEC goods.

dollar sources had been much more liberal than its treatment of dollar goods. It had completely freed a large percentage of OEEC goods from licensing and quota restrictions, whereas a considerable part of its dollar imports—although as freely licensed as if they were not subject to restriction—still remained subject to the legal requirements of restriction. Although the United States continued to press the West German Government to accord dollar goods the same degree of formal liberalization as that accorded OEEC and other nondollar goods, West Germany was reluctant to do so until it felt satisfied that it could safely relax its restrictions. This attitude was particularly apparent after the extensive liberalization of dollar imports in 1954–55, when West Germany adopted the policy of relaxing import restrictions on dollar goods only on a temporary basis in order to "test" the effect of the relaxations on the German economy. West Germany's hesitancy about removing restrictions had been due largely to the considerable increase in its imports from the dollar area after the extensive dollar liberalization measures of 1954–55, and to the resulting apprehension among domestic producers of certain products that they would be unable to withstand the competition resulting from a large influx of similar products from the United States. Although West Germany had indicated that more dollar goods would be completely freed from quantitative restrictions at the beginning of 1956, it took no action until June 1956. In the meantime, it followed the policy of "testing" the effect of increased dollar imports on the domestic market by more liberal licensing of certain products besides coal, coffee, and some other dollar goods that were already being freely licensed. These products included station wagons and passenger automobiles of a specified engine capacity, canned asparagus center cuts, emery paper and cloth, uncut precious and semiprecious stones, kraft paperboard and kraft liner paper, household refrigerators, certain high-frequency transmitting and receiving apparatus, television sets combined with radios, certain electric light bulbs and certain electronic lighting equipment, binoculars, special cameras and other photographic apparatus, motion-picture projectors, phonographs and automatic record changers, miscellaneous products in the unliberalized chemical schedule, and specified precious metals.

This action apparently was taken to meet the charge of discrimination against United States goods—which resulted from the more liberal treatment of imports from the OEEC area—pending a further extension of the dollar liberalization list. This "quasi-liberalization" therefore served as a prelude to the formal liberalization that came later. Furthermore, the West German Government was becoming increasingly motivated, in the relaxation of quantitative restrictions and the reduction of tariff duties on dollar imports, by the need to curb inflationary pressures—a motivation somewhat like that which had much earlier led it to relax restrictions on imports from the OEEC countries in order to reduce its large export surplus with that area.

Most West German agricultural imports, except such commodities as cotton, tobacco, and oilseeds, are subject to quantitative controls regardless of source, and most of these controls discriminate against dollar imports. The dollar products on which the West German Government has been reluctant to grant more liberal treatment include such important items as untanned calfskins, tanned calf leather, wheat, and a number of other agricultural commodities, particularly citrus fruits. The restrictions on imports of tanned calf leather from the United States result from West Germany's trade agreement with France, under which France undertakes to permit the export to West Germany of quantities of untanned calfskins sufficient to meet basic West German requirements, and West Germany establishes quotas for imports of tanned calf leather from France. Imports of United States wheat into West Germany are restricted as a result of West Germany's obligation to purchase wheat from Argentina, France, Sweden, and Turkey under terms of long-term bilateral trade agreements with those countries. In 1953 and 1954, more than half of West Germany's imports of bread grains were imported under such agreements.

West German import restrictions on United States citrus fruits appear to have been maintained largely because of German apprehension that the United States subsidy on citrus fruits would adversely affect the marketing of domestic apples and pears. Although West Germany has substantially relaxed its import restrictions on United States leather—without, however, placing this item on its dollar liberalization list—it has not accorded similar treatment to some of the agricultural commodities, particularly wheat and fruit, for which the United States seeks more liberal treatment. From the point of view of United States interests, the establishment of global quotas under open general license [16] would be a great improvement over the present discriminatory treatment of most agricultural products, and might serve as a transitional step toward complete liberalization of trade in these commodities. Such a step would enable United States products to compete with those from other countries on the basis of price and quality.

Besides liberalizing trade by the removal or temporary suspension of quantitative import restrictions, West Germany has increased the possibilities of admitting more imports by reducing its tariff duties. In March 1955, it had reduced the duties on 700 items in the industrial sector of its tariff schedule.[17] Of these reductions, fewer than 50 were on a permanent basis. The other reductions were to expire on March 31, 1956, but early in 1956 the expiration date was extended to June 30, 1956. This extension was granted in order to conform with the expiration date set for temporary reductions made effective on December 10, 1955, in the duties on a large

[16] Under such an arrangement, imports, though limited in total quantity, would be admitted without regard to the country of origin.

[17] See *Operation of the Trade Agreements Program* (eighth report), pp. 164–165.

number of items appearing under 120 categories of the West German tariff schedule. The temporary duty reductions of March 1955 on items in the industrial sector of the West German tariff included those on chemicals; rubber products; wood products; paper products; textile fibers; headwear; stones and earths; ceramics; iron and steel products; machinery; articles of nickel, aluminum, lead, and zinc; and various other products. Most of the items selected for the reductions of March 1955 consisted of commodities in which West Germany has a small import trade but an expanding export market, of goods destined for further manufacturing, or of products on which the rate of duty exceeded 30 percent ad valorem. These reductions were designed primarily to reduce West Germany's large surplus with the European Payments Union.

The temporary reductions that became effective on December 10, 1955, were intended to reduce the prices of various articles that had tended to increase during the economic boom in West Germany. The principal articles affected were construction materials and supplies, agricultural machinery and implements, and certain agricultural products. Of the 120 German tariff items on which duties were reduced, 18 are in the agricultural sector and 102 in the industrial sector. Many of the duty reductions related to items on which duties had been reduced in March 1955.

In addition to the above-mentioned duty reductions, the West German Federal Government approved the reduction of duties by an average of 50 percent—effective from January 15 to June 30, 1956—on a number of selected items affecting the cost of production in the agricultural and handicraft industries. The selected items included refrigerators, typewriters, baking equipment, butchers' equipment, hairdressing appliances, cash registers, and certain tools and machinery.

Some of the items covered by the temporary tariff reductions scheduled to expire on June 30, 1956, were included in West Germany's schedule of concessions granted under the General Agreement on Tariffs and Trade at the Conference held at Geneva in 1956. According to plans currently under consideration, other temporary reductions in duty may be extended or made permanent by West German tariff legislation.

West Germany has taken further steps to prepare for making its currency fully convertible, although it apparently has no intention of establishing full convertibility until the United Kingdom is prepared to make sterling fully convertible. In May 1956, West Germany relaxed the restrictions on the use of foreign exchange for residents, giving them almost complete freedom in the purchase and sale of marketable foreign shares and bonds. Previous measures had already relaxed restrictions on the use of foreign exchange by nonresidents of the country. On December 31, 1955, West Germany terminated a number of special programs designed to stimulate exports, including currency-retention plans or similar practices for giving a bonus on exports or reexports, direct Government subsidies to exporters, and remission or repayment of direct or indirect taxes. Termination of these measures was in conformance with joint proposals by West Germany and the United Kingdom, which were adopted by OEEC in January 1955, providing for the discontinuance of certain forms of artificial export aids by members of OEEC. West Germany retained certain other kinds of export aids, including the refund of turnover taxes to exporters, export guaranties, and provisions for financing exports under the German Export Credit Corporation. Most of the credits advanced by the Export Credit Corporation have been utilized to finance exports of capital goods. In 1954 and 1955, however, less than 4 percent of total West German exports were financed in this way. The Export Credit Corporation has advised against the use of additional export promotional measures on the ground that such artificial stimuli might result in overexpansion of the domestic economy and, in turn, might lead to a slackening of exports.

It is particularly significant that West Germany has taken steps to replace its bilateral trade and payments agreements with arrangements that permit convertibility of the deutschemark with the currencies of other countries on a limited scale. West Germany refused to renew its bilateral trade and payments agreement with Brazil, and in July 1955 the two countries entered into an agreement whereby, during the following months, Brazil's earnings of deutschemarks were pooled with its earnings of the currencies of the United Kingdom, the Netherlands, Belgium, Luxembourg, Austria, and Italy.[18] This shift to multilateralism within a restricted area—with the possibility that other European countries might become participants in the Hague Club, as the new area of limited convertibility is called—reflects the fact that West Germany's export trade no longer needs the special privileges afforded by strict bilateralism. Moreover, West Germany has lost interest in bilateral trade agreements because they are clearly incompatible with the general drive to restore the convertibility of Western European currencies —a drive in which West Germany has taken a leading role. Protests by the United Kingdom against West Germany's use of bilateral trade and payments agreements to promote trade with other countries (particularly with Brazil) at the expense of the United Kingdom's trade with these countries have also been a factor in West Germany's change of policy.

Greece

The almost complete abolition by Greece of quantitative import restrictions, after the 50-percent devaluation of the drachma in April 1953 was followed by relatively stable internal economic conditions. It was also accompanied by a 30-percent increase in exchange earnings in 1954–55, compared with 1953–54. On the other hand, the increase in exchange

[18] This arrangement is discussed more fully in a later section, under Brazil.

earnings in 1954–55 was more than offset by higher exchange payments, principally for imports; these payments were 37 percent greater in 1954–55 than they were in the preceding year. Instead of reintroducing quantitative import restrictions to correct its adverse balance of payments, however, Greece—beginning in February 1955—adopted other measures designed more or less as substitutes for the recently abandoned restrictions. These "indirect" import regulations—in the form of restrictions on internal credit for financing imports—were in accord with the Government's basic policy of not imposing quantitative import restrictions through administrative controls. They consisted of provisions requiring cash payments (instead of credit) up to fixed amounts for certain imports, cancellation of import licenses if they were not confirmed with a bank guaranty by a certain date, reduction of license validity periods from 6 to 4 months, and stricter rules as to the time limit for clearing goods through the customs. The new regulations also provided that credit might not be granted to finance imports of luxuries, such as automobiles and household appliances, or imports of certain other less essential goods. Soon after these measures were introduced in February 1955, imports began to decline, and Greece's external-payments position improved. In October 1955, additional credit restrictions were introduced to further curtail certain imports, mainly the semiluxuries, including cotton, wool, linen, synthetic textiles, clothing, automobiles, and bicycles. Additional credit controls for certain imports were introduced early in 1956.

In April 1955, Greece increased its specific duties on a number of items in order to bring their incidence to the level that existed before the 50-percent devaluation of the currency in April 1953. The action of April 1955 [19] represented a completion of the upward revision of specific rates. Items subject to ad valorem rates were not included in the adjustment, since the incidence of these rates was unchanged by the devaluation. The items subject to the increase in specific rates in April 1955 included live animals and a number of food materials and products, tobacco, furniture and other household articles, typewriters, chemicals and drugs, motor vehicles, machines of various kinds, certain paper products, and wearing apparel. Wheat was exempted from the increase in duties, as were also some other items—including sugar, gasoline, and fuel oil—for which the specific rates were adjusted by the imposition of consumption taxes applicable to both imported and domestic products.

Italy

Italy first substantially relaxed its restrictions on dollar imports in August 1954 by adding some 500 commodities—almost entirely raw materials and semimanufactures—to its existing short list of liberalized imports from the dollar area. Since that time, Italy has made but slight further progress in

[19] Details concerning these increases were not available for inclusion in *Operation of the Trade Agreements Program* (eighth report).

dollar liberalization. At the end of 1955, Italy had freed approximately one-fourth of its dollar imports from quantitative restrictions, whereas its level of liberalization of private imports from the OEEC area remained above 99 percent—the highest for any country in Europe.

The United States has repeatedly urged Italy—as it has other countries that have failed to relax their quantitative restrictions on dollar imports—to observe its obligations under the General Agreement to relax its restrictions as its balance-of-payments position improves and the level of its reserves increases. In 1955 Italy's balance of payments was highly favorable, and the country had an overall payments surplus. Italy's gold and dollar holdings increased substantially in 1954, and even more in 1955; at the end of 1955 its reserves exceeded 1 billion dollars. Italy's favorable balance-of-payments position in 1955 continued, as in other recent years, to depend heavily on receipts of United States aid and on United States military expenditures in Italy. The Italian trade pattern has changed significantly during the past year or two, in that trade with the dollar area has been increasing and trade with the OEEC area has been decreasing. Italy's dollar imports have increased more rapidly than its dollar exports, mainly because of the heavy demand for United States coal. Italy drastically reduced its purchases of United States cotton in 1955–56, however, principally because the price of United States cotton was much higher than similar cotton from other sources. On January 1, 1956, the United States offered to sell 1 million bales of cotton at competitive world prices, and it was expected that Italy would purchase some United States cotton on that basis.

Although Italy has been liberal in licensing imports of various United States commodities, it has not actually freed these commodities from the licensing requirement; thus they are still legally subject to this restriction. Even though such goods are licensed liberally, the continuation of the restriction results in discrimination against dollar commodities as far as the import regulations are concerned. Machine tools, for example, may be imported into Italy from any OEEC country without a license, but a license is required if they are imported from the United States. Although Italy appears to have been approving almost all applications for the licensing of machine tools from the United States, it has not added these items to its dollar liberalization list; apprehension as to Italy's balance-of-payments position is usually the reason given for not fully liberalizing imports of these and other commodities. Imports of various leathers from the United States have until recently been limited to a few tons per year—much below what the United States would have supplied if leather had been on the Italian dollar liberalization list (leather is on the OEEC liberalization list) or if its quota had been substantially enlarged. Toward the middle of 1956, after strong representations from the United States, Italy did establish a large quota for imports of United States tanned leather. That action, though still short of complete liberalization, was an improvement over the former more restrictive policy.

Italy has made least progress in removing restrictions on agricultural products imported from the dollar area. The United States has made its strongest requests during the past year for greater trade liberalization of these products. Imports of United States wheat, for example, are restricted, whereas imports of wheat from countries with which Italy has bilateral trade agreements (notably Argentina) are admitted freely. Italy also purchases wheat from Iran, Syria, Turkey, and the Soviet Union, largely because it wants to maintain outlets in those countries for Italian products. United States cotton also is subject to severe licensing controls. Domestic spinners exert strong pressure for the relaxation of the controls on imports of United States cotton, but the Italian Government still takes the position that Italy must buy cotton from those countries that offer an opportunity for the sale of Italian products that otherwise might not be sold there.

From August 1954 to April 1956 the level of Italian import liberalization was 25 percent for the United States and 38 percent for Canada.[20] In April 1956 the level was increased to 40 percent for imports from the United States and to 57 percent for imports from Canada. The new list of products that may be imported from these two countries without quantitative restrictions includes various raw materials, chemicals and pharmaceutical products, business machines, and various types of machinery.

In December 1955 Italy took its third and final step toward becoming a full-fledged participant in the exchange-arbitrage system of the European Payments Union by authorizing Italian banks to engage in forward transactions in foreign exchange. This action brought Italian exchange controls more in line with those of other OEEC countries that had already taken steps to enter into currency-arbitrage arrangements (that is, transactions between one country and another via the currency of a third), and represented further preparation for currency convertibility. The earlier steps were taken in April 1955, when Italy simplified the regulations governing the transferability of some foreign-held lire accounts, and in August 1955, when it permitted free transactions in the currencies of other countries that belonged to the arbitrage system, but restricted such dealings to spot transactions. The liberalized foreign-exchange regulations of August 1955 increased from 50 percent to 100 percent the amount of foreign exchange that Italian exporters may retain temporarily for sale to importers. There was no change in the earlier provision that export proceeds remaining unsold after 31 days must be sold to the official exchange office. The new provision permitting 100-percent retention of proceeds applied not only to various

[20] As indicated in table 5, Italy's liberalization of imports from the United States and Canada was 24 percent on January 1, 1956.

European currencies, as before, but also to hard currencies, not more than 50 percent of which could formerly be temporarily retained.

Early in 1956 Italy made less difficult the transfer of free currencies to residents of the dollar area for payment of many types of invisible transactions, such as services by steamship lines and insurance companies, and services on loans. Before that time, licenses permitting such transfers for most types of payments had been rather liberally granted, but each transfer had to be dealt with on an individual basis. Under the new regulations the authorization was general, banks being authorized to accept and make payments freely in foreign exchange from or to residents of the dollar area.

During 1955–56 Italy made a few upward or downward adjustments in its tariff, but these changes were mainly duty reductions or temporary duty suspensions on iron and steel items imported from other member states of the European Coal and Steel Community. In November 1951 Italy had adopted a "temporary tariff schedule," under which virtually all duties that were established in the tariff of 1950 were either temporarily suspended or temporarily reduced by 10 percent.[21] This action was taken when Italy was in a heavy surplus position with the European Payments Union and wished to encourage imports as a means of reducing the surplus. Italy continued to retain these temporary reductions in force after it became a debtor to the Payments Union. In December 1955, however, Italy made some important changes in its tariff schedule, of which the more important are noted below. Certain raw materials and semimanufactured products in 13 tariff classifications were either completely or partially exempted from duty, by being included in the temporary tariff schedule. Duties were substantially increased on 17 tariff classifications in the temporary tariff schedule, although the increased rates were lower than those in effect before the temporary tariff schedule was adopted. The temporary reductions of November 1951 were revoked for 6 tariff items. Items covered in 8 tariff classifications were removed from the temporary tariff schedule, thus being restored to the rates in effect before the 10-percent reductions in the temporary tariff schedule became effective. The rates on the items covered by these 8 tariff classifications had been established in the General Agreement or in bilateral trade agreements.

Norway

Norway's program of capital formation and industrial development is heavily dependent upon imports. The high level of demand created by this program has resulted in a trade deficit that has been characterized by a surplus with the dollar area and a continuous deficit with the OEEC countries. Norway has not formally liberalized dollar imports, although it freely licenses imports from the dollar area of a wide range of raw materials

[21] See *Operation of the Trade Agreements Program* (fifth report), p. 151.

and semifinished products that are required for the country's economic development. Norway does not restrict dollar imports because of difficulties in making payment in dollars. Despite its dollar-surplus position, Norway continued in 1955–56 to maintain stringent controls of imports from the dollar area in the interest of improving its overall balance of payments. All dollar commodities are subject to license, and not even token imports of most luxury items are permitted to enter. On the other hand, Norway freed 75 percent of its private imports from OEEC countries—its great deficit area—from quantitative restrictions.

Early in 1955 the International Monetary Fund took the position that Norway's strong dollar position warranted extensive liberalization and removal of its currency discrimination against the dollar area—a position in which the United States concurred. Although Norway persisted throughout 1955–56 in its general policy of severely restricting dollar imports, it has recently relaxed restrictions on some imports of United States products, including certain fruits. Toward the end of the period covered by this report, it was becoming evident that Norway was planning to establish an extensive dollar free list. Such a list would constitute the first step taken by Norway to relax the severe restrictions imposed on dollar imports in 1947.

Norway's level of trade liberalization vis-a-vis other OEEC countries—75 percent at the end of 1955, as it had been in 1952—is lower than that of any other OEEC country except Iceland and Turkey, although it is not much below that of Denmark and France. At the beginning of 1956 the Norwegian Government could see no prospect of immediate relaxation of Norway's tight restrictions on imports from the OEEC area—that is, no extension of the list of liberalized imports beyond the existing 75 percent. Any possible liberalization of either OEEC imports or dollar imports would take place on an administrative basis—in the form of more liberal licensing—without actual abolition of the restrictions.

Inasmuch as Norway's total consumption and demand for capital have been increasing at faster rates than its domestic production and inflow of foreign capital, prices have tended to rise. In the face of the resulting pressure on its balance of payments, Norway has not only retained its import restrictions, but has also adopted more restrictive internal credit policies to curtail capital expenditures and imports. These anti-inflationary measures, which were adopted at the beginning of 1955, have been continued and made even more restrictive during 1956. Although the pressure on the country's balance-of-payments position lessened, Norway has continued to regard further improvement in its balance-of-payments position as having priority over any increase in imports, on the ground that the country is in no position to withstand a heavy drain on its foreign-exchange reserves.

Despite the unfavorable outlook for increased imports, Norway has nevertheless attempted to satisfy the domestic demand for such imported products as fresh and canned fruits, which might or might not come from the dollar area. Early in 1956 several million kroner were allocated to the Norwegian wholesale grocers' association for the purchase of canned pineapple and canned peaches from any source; it was expected that the bulk of such products would come from dollar areas. Large kroner allocations also were made for imports of oranges from the United States, and additional allocations were made for imports of oranges from certain nondollar sources. It was anticipated that importers would arrange switch transactions through triangular barter deals, but the Government stood ready to supply the necessary dollar exchange if such transactions could not be arranged. These arrangements did not represent formal liberalization of imports of fruit from the United States, or even from the OEEC area, but were simply administrative arrangements to permit imports for a given period. In providing for such transactions, Norway takes the position that it is not discriminating against any source of supply, but that it obtains the fruit wherever it can through bilateral arrangements, barter transactions, or switch deals. In line with its position that bilateral agreements are by nature discriminatory, the United States has been seeking the removal of restrictions on direct imports into Norway of fruit from the United States.

Sweden

A major aim of Swedish economic policy is the maintenance of full employment. This policy has resulted in great emphasis on maintaining the country's foreign-exchange resources at a high level and adding to them when the foreign demand for Swedish products is strong (as in recent years), so that the country will be in a relatively strong position should trade conditions become less favorable.

Sweden did not substantially relax its quantitative restrictions on imports from the dollar area until October 1954, when licensing requirements were removed on about 45 percent of its total dollar imports. The new dollar liberalization list included certain raw materials, semimanufactures, and a large number of finished products. Sweden also arranged to issue import licenses freely for certain goods originating in the dollar area, against payment in so-called transit dollars [22] or in the currencies of third countries. A few commodities, including fresh fruits, were later added to the transit-dollar list, and a few were transferred from the transit-dollar list to the dollar import free list. By the end of 1955, Sweden's level of dollar liberalization had reached 50 percent. Effective January 1, 1956, Sweden's dollar

[22] See *Operation of the Trade Agreements Program* (eighth report), pp. 143–144. Transit dollars are dollars offered against inconvertible currencies; these dollars are purchased by authorized Swedish banks from foreign banks at a premium over the parity rate, and are sold at a premium to Swedish importers. Sweden in this way has financed a considerable volume of imports from the dollar area by buying dollars against EPU currencies, chiefly sterling.

import liberalization list was extended to include greasing oil, iron scrap, tinplate, and various automobile parts, this extension bringing the level of dollar liberalization to 64 percent.[23] Previously these items could be imported only under license and against payment in transit dollars. The level of Sweden's liberalization of private imports from the OEEC area, on the other hand, had reached about 93 percent—based on 1948 import figures—by the end of 1955; it had been almost this high (91 percent) in the middle of 1953. Inasmuch as automobiles, ships, and certain agricultural products still officially under quota are liberally licensed for importation from the OEEC area, Sweden's effective level of unrestricted trade with this area is nearer to 97 percent.

Although the practice of freely issuing licenses for importation of certain goods with transit dollars, or for payment in third-country currencies, represents a liberalization of the previous policy of not licensing dollar goods of this category at all, it still falls short of meeting United States desire that the goods be freed from restrictions so as to permit direct imports from the United States. The group of United States products that were liberalized to the extent that licenses were issued freely for payment in transit dollars, or in the currencies of third countries, included most of the items that had been freed from import restrictions for the OEEC area but not for the dollar area. In particular, the United States has sought to obtain more liberal treatment by Sweden of imports of apples and pears from this country. Sweden has a seasonal embargo on apples and pears, but permits their importation in limited quantities during the nonembargo period through the transit-dollar arrangement.

Sweden's liberalization of dollar imports in 1954 was followed by a 35-percent increase in imports from the dollar area in 1955. Dollar imports represented 14 percent of Sweden's total imports in 1955, compared with 10 percent in 1954 and an average of 20 percent before World War II. When dollar goods were liberalized, the Swedish Government did not expect that imports would increase to the extent that they did in 1955, although it did expect the relaxation to result in lower internal prices for the articles involved.

Partly as a result of substantial wage increases, which were an important factor in increasing the demand for imports, and partly as a result of increased investment and other spending, Sweden was faced in 1955 with the problem of controlling internal inflationary pressures. Because of the large increase in the country's gold and dollar reserves after 1953, the Government did not undertake to curtail spending by reimposing quantitative restrictions on imports. Rather, it sought to curb the inflationary tendencies —including the increased demand for imports—by internal measures designed

[23] This represents the percentage of private imports from the United States and Canada freed from quantitative restrictions.

to restrict consumer credit and the expansion of investments. These measures included increasing the bank discount rate, increasing industrial taxes, and reimposing a 12-percent tax on investment expenditure and a tax of about 10 percent on automobile purchases. Sweden did increase its rates of duty on certain imports, in line with its overall policy of safeguarding its balance-of-payments position and its exchange resources against overspending. For some time Sweden has been revising its tariff. In July 1955 the Government increased a large number of duties in order to stop speculative imports of goods pending completion of the tariff revision. The increases in duty applied to a wide range of textiles and textile products; and to shorter lists of chemicals; hides, skins, and furs and manufactures thereof; rubber and certain rubber manufactures; and certain machinery, apparatus, and other manufactured articles.

THE STERLING AREA

The external-payments position of the sterling area as a whole, and of the United Kingdom in particular, was less satisfactory during the fiscal year ending June 1956 than in the preceding fiscal year and in some earlier 12-month periods.[24] In earlier periods of serious external financial difficulties, the sterling-area countries generally tightened their quantitative restrictions and followed a cautious policy of relaxing the restrictions when conditions improved. Recently, however, several countries of the sterling area, as well as many other countries, have made greater use of internal monetary and fiscal measures to combat inflationary pressures. Accordingly, they have placed somewhat less reliance on import restrictions to curb the tendency of increased domestic spending to accelerate imports. This action, together with the continuation of United States financial aid and other favorable factors, largely accounted for the ability of most of the countries of the sterling area during 1955–56 to adhere to their common policy of relaxing quantitative trade restrictions and exchange controls, even though the relaxations were generally on a moderate scale.

During 1955–56 none of the sterling-area countries made extensive changes in their tariff policies or in their tariff schedules. Although most of the countries undertook to curb imports by the use of internal monetary and fiscal measures—which at the same time placed them in a better competitive position to sell abroad, they also gave renewed attention to export drives, particularly to the dollar area. Australia was the only sterling country that substantially intensified its quantitative import restrictions in

[24] In addition to the United Kingdom, the sterling area comprises all British Commonwealth countries except Canada—namely, Australia, Ceylon, India, New Zealand, Pakistan, the Federation of Rhodesia and Nyasaland, and the Union of South Africa—and all British colonies, protectorates, protected states, and trust territories. Burma, Iceland, Iraq, the Irish Republic, the Hashemite Kingdom of Jordan, and Libya are non-Commonwealth members of the sterling area.

1955–56. The tighter controls, however, were generally applicable to imports from all countries, and were not directed—as they had been on many previous occasions—mainly against imports from the dollar area. In fact, discrimination as between currency areas was removed from some important commodities. Although Australia also utilized a number of internal measures to improve its balance-of-payments position, these measures alone were not considered sufficient to stop the rapid decline in its monetary reserves. Pakistan and the Union of South Africa are the only sterling-area countries that had removed all, or almost all, discrimination against imports from the dollar area before the period covered by the present report.

The main developments during 1955–56 are discussed below on a country-by-country basis for all countries of the sterling area with which the United States has trade agreements, except Ceylon and Burma. These two countries continued to apply severe restrictions to dollar imports. Each of these countries utilizes import licensing to divert an increased share of its import transactions into the hands of its own nationals.

Ceylon continued to adhere closely to its policy of regulating imports mainly by increasing or lowering import duties. With few exceptions, Ceylon's imports are subject to quantitative restrictions, but the restrictions are nominal for a wide range of goods that are subject to open general license. However, Ceylon continues to restrict imports from the dollar area much more severely than it does those from nondollar areas. On a number of occasions the United States has attempted to induce Ceylon to relax its restrictions on United States products, but Ceylon has continued to plead a shortage of dollar exchange as the reason for not substantially changing its policy—even when its overall balance-of-payments position and its dollar position have shown improvement.

In Burma all imports are subject to regulation, and only a few commodities are admitted from the dollar area. The declared purpose of these severe restrictions is to conserve foreign exchange to purchase goods required for the country's extensive program of rehabilitation and reconstruction. The goods to meet even these requirements, however, come mainly from nondollar sources. With a few exceptions, imports of all dollar-area products are subject to individual licenses. Typical dollar commodities for which licenses were issued in 1956 were medicines, lubricating oil, brake fluid, grease and petroleum, spare parts and accessories for motors, printed books and periodicals, and certain motion-picture and photographic goods. Burma has become increasingly dissatisfied with the results of certain barter arrangements, inasmuch as they have resulted in the acquisition by Burma of a surplus of foreign goods, payment for which it was obligated to make in products in short supply or those which it could have sold elsewhere for cash. An example is the exchange of Burmese rice for cement and other products of the Soviet bloc.

United Kingdom

The calendar year 1955, even more than the preceding year, was an extremely difficult one for the United Kingdom. Not only were there serious problems associated with its balance-of-payments position and the low level of its gold and dollar reserves, but there were also many symptoms of severe inflation in the domestic economy. The worsening of the current balance of the United Kingdom was in turn the main factor in the deterioration of the current payments position of the sterling area with the rest of the world—from a substantial surplus in 1954 to a large deficit in 1955.

In official circles, the worsening of the general economic and financial position of the United Kingdom was said to reflect the fact that the sterling area as a whole was "living beyond its means." In introducing the budget for 1956–57, the Chancellor of the Exchequer pointed out that the experience of the past year showed that the United Kingdom cannot afford to run its economy "flat out," with more jobs than men to fill them, more orders than industry can meet, easy profits at home, and rising costs; and that there is no future in importing extra materials that the country cannot afford, in order to turn them into extra goods that are not exported. The decline in the sterling area's gold and dollar reserves was attributed in part to speculative dealings (a "bear market") in the pound sterling. These dealings arose from the widespread belief—especially in continental Europe—that sterling would soon be devalued.

To replenish its gold and dollar reserves, the United Kingdom adopted various measures. The corrective action adopted did not take the form of further restrictions of imports or the strengthening of the exchange controls; in fact, most of these controls were allowed to remain substantially unchanged, and others were even relaxed a little. Rather, the Government concentrated on the application of such "classical" monetary and fiscal remedies for controlling inflation as increasing the bank discount rate, increasing taxes, reducing Government expenditures, reducing the subsidies on bread and milk, and increasing required down payments on installment sales. The United Kingdom recognizes, however, that the high level of taxation makes business less sensitive to increases in interest rates, and that more direct measures may be required to curtail the demand for goods on the part of business and the public in general.

In its report on economic conditions in the United Kingdom, the OEEC was critical of some of the anti-inflation measures that the United Kingdom had taken.[25] The report stated that monetary and credit measures, such as raising the rediscount rate and requesting firmer bank lending policies, were

[25] Organization for European Economic Cooperation, *Economic Conditions in the United Kingdom,* Paris, 1955. See also, Organization for European Economic Cooperation, *Seventh Report of the OEEC, Economic Expansion and its Problems,* Paris, February 1956, pp. 257–272.

inadequate to cope with the United Kingdom's major problem—the curtailing of domestic consumption. By following a policy designed to increase the incentives for higher industrial output (which included a reduction of taxes), the Government was obliged to place correspondingly greater reliance on monetary and credit restrictions to reduce the level of demand. These restrictive measures, according to the OEEC report, did little to check demand, but did have the undesirable effect of discouraging new investment by increasing the cost of capital. The OEEC, therefore, strongly urged the United Kingdom to adopt a policy of curtailing demand by direct fiscal measures. Otherwise, according to the OEEC report, growing inflation, increasing costs, and increasing domestic demand would combine to make it more difficult than ever for the United Kingdom to sell in foreign markets, or to return to convertibility in the near future. The fact that the United Kingdom had notified the OEEC that it would be unable, for balance-of-payments reasons, to liberalize its private trade with member countries of OEEC to 90 percent, confirmed the unsatisfactory condition of its external and internal position.

The United Kingdom has again intensified its "export drive," especially to dollar markets. In 1955, about one-fifth of the United Kingdom's total imports and one-half of its total imports from the dollar area were subject to quantitative control. In general, the goods that may be imported from the dollar area under open general license or open individual license [26] are limited to certain basic foodstuffs, feedstuffs, and industrial materials. Since 1953, import controls for dollar goods have been relaxed for cereals and animal feed, raw cotton, lard, linseed oil, soybeans, dried edible white beans, dried peas, and various oilseeds and oils.

The freeing of imports of such commodities from quantitative restrictions does not necessarily mean that they will be imported from dollar sources. If they are readily available from nondollar sources at lower prices, the tendency is to favor such sources, thus conserving dollar exchange for goods that can be more advantageously purchased in the United States and other dollar countries. Imports from the dollar area of essential commodities that are readily available from domestic sources, or become available, are likewise restricted. For example, metal-cutting tools—an essential item of producers' goods—have been liberally licensed as a group for importation from the

[26] United Kingdom imports on private account are subject to 1 of 4 different types of import license: (1) World open general license, under which goods may be imported by any importer without quantitative restriction from any country; (2) open general license, under which goods covered by the license may be imported by any importer without quantitative restriction from specified countries; (3) open individual license, under which goods may be imported by an individual person or firm without quantitative restriction from specified countries; and (4) individual import license, under which the importer, the goods, and the country from which the goods are to be imported are all specified.

United States, but imports of certain types of tools in the group, such as twist drills and reamers, have virtually ceased in recent years because they have become readily obtainable in the United Kingdom. A similar situation prevails with respect to different types of hand tools. In cases of this kind, the United States seeks to have the excluded items restored to at least a "token" level of importation. The United States also seeks to have certain articles that are excluded from the United Kingdom market—for example, motorcycles—admitted for exhibition and for sale on what amounts to a token basis, in order to keep trade contacts open.

Imports into the United Kingdom from the dollar area of all minerals and fuel oils and virtually all manufactured goods are subject to quantitative restriction. The main foodstuffs and basic materials subject to restriction when imported from the OEEC countries (and other countries to which the same degree of control applies) are bacon and ham; milk products; dried, frozen, and liquid eggs; apples, pears, and potatoes; most sugar and sugar preparations; pulp paper and waste paper; manila hemp (abaca); stone; tungsten ores; flower bulbs; and coal, coke, and manufactured fuels. With a few exceptions, imports from the Soviet bloc, Japan, and Argentina have been subject to the same controls. Virtually all imports from the sterling area are free of quantitative control; exceptions include manufactures of sugar and jute, which are imported on Government account. Manufactures of jute constitute the only commodity group outside the food group that are still purchased solely on Government account. In the food group, raw sugar for refining (not for export), bacon and ham, potatoes, and orange juice for welfare uses are still imported on Government account.

Early in 1955 the United Kingdom and the United States concluded arrangements under which approximately 89 million dollars of United States mutual aid funds were to be expended for imports of surplus United States commodities into the United Kingdom.[27] Most of the sterling proceeds from the sales of these surplus commodities in the United Kingdom were to be used to finance the United Kingdom defense program. These arrangements were part of a program for which the United States Congress appropriated funds in 1954 but, until the arrangements here referred to were made, the only surplus United States article imported by the United Kingdom was cotton. The import items for which aid funds were to be made available included limited quantities of such commodities as cotton; corn; oils and fats; tobacco; canned fruit (grapefruit, apricots, cherries, figs, peaches, pears, plums, fruit salad, and fruit cocktail); fresh apples, pears, and grapes; and seedless raisins, prunes, dried apples, dried apricots, dried peaches, and dried pears. Items made available to British consumers under the mutual aid program are not listed for importation under open general license or open individual license. Vegetable oils and oilseeds other than

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

cottonseed oil, for example, have been admitted under quota on open general license; cottonseed oil was not placed on open general license because mutual aid funds were available for its purchase, and an import quota was established for it on this basis. Import licenses are issued freely for United States lard, but with the stipulation that "free dollars" (that is, dollars not received through the mutual aid program) will not be allocated for the importation of lard so long as dollars are available under the aid program. The United Kingdom has freely granted import licenses for lard when aid funds were not available.

The British token-import plan, under which about 200 consumer items are admitted from the United States[28] in "token" quantities, was extended through 1956 on the same basis as in 1955. Imports of these commodities are admitted on a quota basis, which at present represents 30 percent of average United States exports of the commodities to the United Kingdom in the period 1936–38. The exports must be certified by the United States Bureau of Foreign Commerce before the United Kingdom authorities will issue import licenses. Before 1954, only United States firms that had prewar trade with the United Kingdom in the "token" commodities were eligible to participate in the plan. The regulations adopted for 1955 and continued for 1956 provide that any manufacturer of an article in a specified commodity group may apply for a share of any available quota balance announced for that group, regardless of whether he was a prewar exporter to the United Kingdom. The quota balances are announced from time to time so that United States exporters may avail themselves of marketing opportunities.

In an attempt to increase dollar receipts to pay for greater dollar imports, the United Kingdom Dollar Exports Council launched a new drive in November 1955 to increase exports to the United States. United Kingdom imports of dollar goods were 40 percent greater in the first 3 quarters of 1955 than in the corresponding period of 1954, whereas United Kingdom dollar exports were only 19 percent higher. In addition to continuing its trade-liberalization policies, the United Kingdom undertook to make dollars readily available for any investments in the United States and Canada that might result in increased exports to those countries and that might increase the supply of raw materials for United Kingdom industries or promise a high yield on invested capital. United Kingdom exporters are still required to surrender their receipts of foreign currencies to the exchange-control authorities, but in February 1956 the number of exchange-control declaration forms required of exporters was drastically reduced, thus easing the burden of complying with this aspect of the exchange-control regulations.

[28] In 1946, the British token-import plan was established separately for Canada and the United States. Similar arrangements were later made with nine European countries, but these arrangements were terminated after the European Payments Union was established.

With respect to trade and payments arrangements, the United Kingdom's relations with Japan are of a somewhat special nature.[29] The United Kingdom itself has no agreement with Japan for the exchange of goods and the method of payments, but—in line with its insistence on the multilateral approach rather than the bilateral approach in such matters—it has an agreement with Japan, on behalf of the entire sterling area, that calls for settlements in sterling.[30] There is no stipulation for balanced accounts between Japan and the various countries of the sterling area, and no specific trade plan in the sense of specifying the commodities to be exchanged. There is, however, a general understanding as to the estimated or anticipated amount of trade to be transacted and the classes of commodities to be exchanged. The United Kingdom maintains its imports of Japanese goods at the desired level by employing licenses and quotas. For the 12-month period ending September 30, 1956, for example, it established quotas on clothing, silk piece goods, cotton and artificial silk fabrics, toys, sports goods, pottery, buttons, certain paper manufactures, lacquer ware, brooms, mops, brushes, electric lamps, electric lighting appliances, canned and frozen salmon, canned peaches and loquats, artificial pearls, and plastic tableware and hollowware.

Changes in the United Kingdom tariff during 1955–56, as in other recent years, consisted of the temporary exemption from duty of specified products and increases or reductions in the duties on some other items. Imports of chemicals, scientific instruments, optical instruments, and certain other articles are subject to the Key Industry Duty of 33-1/3 percent ad valorem. From time to time the Board of Trade announces exemptions from this duty for items in short supply, or adds items to the list of commodities subject to the duty. The exemptions are initially for short periods —sometimes as short as 1 month—but the exemption orders are usually extended, and therefore may operate over long periods. During 1955–56, a considerable number of chemical items were treated in this way, and numerous chemical items were also added to the list of chemicals subject to the Key Industry Duty. Molybdenum, certain optical instruments, and vacuum tubes were among other items exempted from the Key Industry Duty for specified periods. The Board of Trade also temporarily suspended the duties applicable under the Import Duties Act of 1932 on a wide range of iron and steel products, brazil nuts, and a few other commodities. It also reduced a few duties and increased a few others under the Import Duties Act of 1932.

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[29] See the discussion on Japan in this chapter.

[30] All nonsterling countries, except the dollar countries, are now free to transfer any sterling they acquire for any purpose, on current or capital account, in settling accounts between themselves or with sterling countries. See *Operation of the Trade Agreements Program* (seventh report), pp. 175–179.

Australia

The more stringent quantitative import restrictions that Australia imposed in October 1954 and April 1955 [31] proved inadequate to accomplish the Government's goal in reducing import expenditures. Accordingly, further import restrictions were applied in October 1955, and some tariff duties were increased. In March 1956 Australia announced the adoption of a series of monetary and fiscal measures designed to counteract internal inflationary pressures that had been having a highly adverse effect on the country's external-payments position. Australia's payments problem is no longer primarily a sterling or a dollar problem, as it formerly was, but is now an overall payments problem.

There has been an increasing dissatisfaction in Australia with that country's position under the Ottawa agreements, because many of the tariff preferences accorded Australia have lost some of their value as a result of price changes since World War II. On Australia's two most important exports, wool and wheat, there is no preference. The "no new preference" rule of the General Agreement on Tariffs and Trade prevents Australia from obtaining the increases in preferences that it desires, and that it hopes to obtain by a broader interpretation of the General Agreement rule on preferences.

The additional import restrictions that Australia imposed in October 1955 were intended to bring its external-payments position into balance not later than the middle of 1956. Licensing restrictions were intensified on imports from all currency areas. Most imports from the United States and other dollar countries were made subject to an overall reduction of 12-1/2 percent. Imports of most goods from the sterling and other non-dollar areas were reduced by different amounts, ranging from 7-1/2 percent to 25 percent, according to the category. Imports of essential materials were reduced by 12-1/2 percent. For imports of less essential and luxury goods the reduction was as high as 25 percent. Imports of fully assembled motor vehicles, for example, were reduced by 25 percent, whereas imports of completely knocked-down vehicles were reduced by 12-1/2 percent. No reduction was made in current quotas applicable to iron and steel, rubber, ferrous alloys, aluminum and nickel blocks, certain hessian and jute products, roller and ball bearings, certain fertilizers, tobacco leaf, manganese, chrome ore, paper pulp, medicines, asbestos, and a few other products. A special foreign-exchange budget was established for certain commodities; holders of import licenses were free to purchase these commodities from any country, regardless of currency considerations. The principal commodities thus freed from discrimination as to source include such basic materials as sulfur, paper pulp, cotton, aluminum, nickel, copper, tobacco leaf, hog casings, crude asbestos fiber, and newsprint.

[31] See *Operation of the Trade Agreements Program* (eighth report), pp. 147–148.

Besides the numerous increases in import duties it authorized in 1954,[32] Australia raised the duties on a number of items in October 1955. The latter increases ranged from 7-1/2 percent to 25 percent ad valorem and, in general, applied equally to British preferential, most-favored-nation, and general tariff rates. The items affected by the increases included dried vegetables, ribbons, certain aluminum products, certain motors, certain fuel injection equipment, parts of axle assemblies for motor vehicles, a few chemical products, and other products. During the months following this action, Australia made several changes in its licensing policy and temporarily reduced or suspended import duties on certain commodities. In May 1956, import duties were increased on a number of items, including woodworking chisels, magnesium sulfate, footwear, and greaseproof and glassine papers.

Since the restriction of imports to protect the country's foreign-exchange reserves tended to increase the pressure on internal spending, it became necessary for Australia to counteract this pressure by monetary and fiscal measures. In March 1956 the Government announced its decision to apply a series of measures of this type. Widespread increases in indirect taxation were ordered; the sales tax was increased moderately on commercial vehicles and motorcycles and was almost doubled on noncommercial vehicles and on certain other commodities, such as jewelry. Excise and customs duties also were increased on beer, spirits, tobacco, cigarettes, and gasoline. Corporation taxes were increased, but there was no increase in personal income taxes.

India

During 1955–56 India's general import policy was substantially the same as it had been in the preceding year. The policy India announced 2 or 3 years ago—that of gradually abolishing quantitative restrictions on imports and of employing the tariff to regulate imports—was not as clearly evident during the period under review as it had been in the preceding 12-month period. During 1955–56 there were relatively few changes in import duties, but considerable activity in the application of import quotas. During this period India's import policy—especially the relaxaton of quantitative restrictions on imports of some goods and the tightening of restrictions on others—became more closely coordinated with national plans for economic development than it had been. For this reason, India regarded the time as inappropriate for any substantial tariff reductions.

India admits foreign goods either under open general licenses or individual licenses. Of the 4 open general licenses, only 2 have wide applicability; one of these applies to goods that may be imported without quantitative restrictions from all countries except the Union of South Africa, and the other applies to goods that may be imported without quantitative restric-

[32] See *Operation of the Trade Agreements Program* (eighth report), p. 170.

tions from soft-currency countries only. Most other goods are subject to quota limitations and are licensed individually; one kind of license applies to imports from soft-currency countries, and another to imports from hard-currency countries. Licenses for imports from hard-currency countries are freely convertible into licenses for imports from soft-currency countries, but licenses for imports from soft-currency countries are not convertible into those for imports from hard-currency countries, except in certain instances. Imports are or are not accorded liberal treatment, depending on whether they are regarded as essential or nonessential. The lists of goods admitted by license under quota or under open general license from soft-currency areas are comprehensive, and contain far more items than similar lists for hard-currency areas. India's open general licenses were modified slightly when they were reissued on October 1, 1955. A few items were added to the list and were made valid for importation from the United States; they included copper and bronze pressure pipes and tubes, certain chemical lead sheets, certain drugs and medicines, Monel metal rivets, and sodium hydrosulfite.

Particularly during the first 6 months of 1956, India placed increased emphasis on the desirability of planned shifts in imports from nonessential to essential items. In accordance with the country's extensive plans for industrialization, the Government decided to divert an increasing proportion of the country's foreign exchange from imports of goods that can be produced economically in India, in order to make more exchange available for imports of machinery, equipment, and industrial raw materials of the kinds that cannot be produced economically, if at all, in India. At the same time, India stressed the necessity of directing greater attention to its export trade. The decline of exports of cotton textiles in 1955–56, with prospects of still further declines, was a strong factor in India's realization that the diversion of foreign exchange to the building up of the industrial sector of India's economy not only tends to create more goods for export, but requires the development of new foreign outlets for these goods. In the middle of 1955, India reduced the export duty on all varieties of cotton, abolished the export duty on jute goods, and increased the export duty on tea.

The specific steps that India took to carry out the import policy described above included reduced quotas—for the last 6 months of 1955 and the first 6 months of 1956—for items manufactured or assembled in India. Quotas for the dollar area that were affected by these reductions applied to such articles as motorcycles and scooters; typewriters; hacksaw blades; chains; spark plugs; transmission belts; shuttles; certain chemicals, drugs, and medicines; buttons; miscellaneous hardware; wire mesh and wire netting; certain textile preservatives and textile-finishing oils; and certain types of dyes. Some consumer goods, including powdered milk, tobacco, cigars, apparel, and hosiery, were removed from the list of items subject to liberal licensing and were placed on a quota basis. Imports of goods that were needed for industrial development and that were encouraged by increased quotas for the dollar area included certain tools for the requirements of small industries, special types of electric motors required for agricultural purposes, diesel engines, precision tools, scales, packing and wrapping paper, mutton tallow, cotton,[33] jute, and petroleum. More liberal quotas also were authorized for certain other essential items and for consumer goods not adequately supplied by domestic industries, including automobile parts, sewing machines, metal lamps, fountain pens, oilcloth, sun glasses, lead pencils, zipper fasteners, razor blades, electric shavers, soap, milk foods, butter, and cheese. For the first 6 months of 1956, arrangements were made to grant licenses for imports from the dollar area, at competitive prices, of a few articles for which import licenses were mutually validated only for soft-currency areas. The principal articles in this category are paperboard, milk foods, electrodes, and certain diesel engines.

New Zealand

When its new tariff act is completed and placed in effect—probably in 1957—New Zealand plans to abolish import licensing and thereafter to rely on tariffs for the protection of domestic industry. In the meantime, as in 1954–55 and again during 1955–56, New Zealand will continue to pursue the general policy of relaxing quantitative restrictions on imports from all sources, although it may feel obliged to reimpose the restrictions on imports of certain commodities should its balance-of-payments position worsen. In the past, these restrictions have not been aimed specifically at imports from the dollar area, but have applied to imports in general. New Zealand has operated on the principle that any worsening of the country's balance-of-payments position could be improved by a limited direct curbing of imports, together with the application of monetary and fiscal measures that would restrain domestic demand. The monetary measures have consisted of more severe commercial-credit restrictions of the kinds that were imposed when New Zealand was in balance-of-payments difficulties in 1954 and 1955.

For control purposes, most imports into New Zealand from "scheduled" countries (mainly dollar countries) must be licensed; some imports from "nonscheduled" countries also are subject to licensing.[34] Licenses are

[33] For a while in the fall of 1955, India suspended the importation of raw cotton from nondollar sources, but later resumed the granting of import licenses for cotton of certain staple lengths from these sources. Import licenses for United States cotton of the same staple lengths were due to expire on June 30, 1956, but were extended until the end of the year. The great bulk of India's imports of cotton are licensed for purchase from nondollar countries.

[34] In July 1955, New Zealand removed certain countries, including Argentina, East Germany, Hungary, Iran, Poland, Rumania, and the Soviet Union, from the list of

required for virtually all imports of motor vehicles, regardless of source. In announcing its import-licensing program for the calendar year 1956, New Zealand included 41 additional categories of goods imported from all sources that were to be freed from import-licensing controls. The items added to this global "free list" included unmanufactured tobacco, chemicals, drugs and dyes of various types, cotton and linen thread, yarns, certain window glass, typewriters, harvesters and combines, tractors, various metals and metal manufactures, and certain instruments and appliances. The addition of the 41 categories of goods to those already freed from import licensing brought the total of such items to approximately 150. Imports of motor vehicles, however, were further restricted for the 1956 licensing period. Licenses for such imports were reduced by one-third from the 1955 level, the reduction being applicable to the imports from each supplying country. The official reason given for this action was the country's balance-of-payments difficulties and the need to conserve foreign exchange.[35] In December 1955, New Zealand made some changes in its basic import licensing for wool piece goods for 1956 by granting licenses for imports of such goods from nonscheduled countries (that is, the nondollar countries) to the extent of 50 percent of the value of imports of similar goods from all sources in 1954.

Pakistan

In its import program for the first 6 months of 1955, Pakistan abolished the distinction in treatment of most imports from the dollar area and the same kinds of imports from the nondollar area, thus largely removing the element of discrimination against dollar imports. It also concluded special arrangements with the United States for commodities imported under the United States aid program; these arrangements facilitated the importation of iron and steel, chemicals, machinery and parts, lubricants, parts for motor vehicles, refrigerators, drugs and medicines, dyes, raw cotton, raw wool, raw tobacco, a variety of cotton products, and some other items. On a few articles Pakistan increased the import duties.

In its import program for the last 6 months of 1955, Pakistan provided for a slight increase in the total number of items (aside from those imported under the United States aid program) that might be imported from the United States. The revised schedule listed 150 items, of which all but 10 might be imported from any country.[36] For the first 6 months of 1956,

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"scheduled" countries, thus placing virtually all countries, except the dollar countries, in the "nonscheduled" category, for which import licensing is not required for most goods.

[35] Between August 1954 and August 1955, New Zealand moved from a small surplus to a deficit in its balance-of-payments position.

[36] In the first 6 months of 1955 more than one-third of Pakistan's permissible import items had been reserved for importation from Japan under a bilateral trade agreement.

Pakistan extended to 205 the number of items that could be imported from any country. Import licenses designating the country of origin were required for certain items subject to single-country licensing under trade agreements. More liberal licensing arrangements also were made, under which licenses were to be made valid for 6 months from the date of issuance, instead of expiring (or having to be revalidated) if unused at the end of the shipping period. Priority is given to imports of basic raw materials, spare parts for maintenance or replacement of industrial machinery, and capital goods and equipment for industrial plants.

On July 31, 1955, Pakistan devalued its currency from about 3.3 rupees to about 4.8 rupees per United States dollar.[37] After the devaluation, exports of manufactures rose sharply and, because of the combined effect of devaluation and the restrictive import policy in operation during the last 6 months of 1955, private imports declined. Total foreign-exchange earnings increased, as did also Pakistan's reserves of gold, dollars, and sterling. Reduced import duties and a more liberal import policy were introduced for certain commodities, notably drugs and medicines, to prevent further increases in the prices of these commodities and to restore them to the predevaluation level.

In October 1955, Pakistan established a new and expanded plan for the promotion of exports, especially of manufactured goods. Exporters of any of 67 primary products are entitled to receive import licenses to the value of 15 percent of their foreign-exchange earnings; they may use the licenses covering that share to import any of 46 specified items in demand in the country. For exporters of manufactured goods the privileges are more liberal; exporters of any of 53 manufactured products may receive import licenses to the value of 25 percent of their foreign-exchange earnings. With these licenses they may import transportation equipment, machinery, raw materials, and packing materials required in the manufacture of goods for export. In an additional move to promote the export of manufactured goods, Pakistan arranged to grant a rebate of the duty on raw materials imported by any industry for use in the manufacture of goods for export.

Federation of Rhodesia and Nyasaland

With a few exceptions, the Federation of Rhodesia and Nyasaland

[37] Pakistan did not devalue its currency in September 1949 when other sterling-area countries devalued their currencies. Pakistan did not devalue because it is primarily an agricultural country that has no difficulty in selling its exports in world markets, and because it did not want to discourage imports of capital goods required for economic development. By 1955 Pakistan had built up its industrial production and felt the need for encouraging exports of certain new manufactured goods, particularly cotton and jute textiles. It therefore devalued its currency to improve the competitive position of these products in the world market.

imposes no quantitative restrictions on imports from countries of the sterling area. For nonsterling countries, import restrictions have been relaxed or removed on a long list of goods since the Federation was established in September 1953. Relaxations in the Federation's quantitative restrictions on imports from the dollar area and other nonsterling sources were first made for the second half of 1954, followed by still further relaxation of the controls for the first half of 1955.[38] All imports from nonsterling sources remain subject to the granting of import permits, but the application of exchange-quota ceilings to nonsterling imports has been the effective method of restricting such imports. The Federation's trade-liberalization measures, therefore, have consisted mainly of the removal or upward adjustment of these ceilings. The importation of certain nonsterling goods—that is, goods not on the Federation's unrestricted list and not accorded exchange quotas—is prohibited.

In mid-1955 the Federation further relaxed the restrictions on imports from contracting parties to the General Agreement on Tariffs and Trade that are also members of the Organization for European Economic Cooperation, but there was no general relaxation for dollar imports. Effective January 1, 1956, however, the Federation made substantial relaxations in the controls applicable to imports from the dollar area, and removed virtually all restrictions on imports from contracting parties to the General Agreement that are also members of the OEEC. The new arrangements provided for the transfer of many items, imports of which were previously prohibited or under quota, to the "unrestricted" list of items, that is, those that are freely licensed. Quotas were also established for certain items that were previously on the prohibited list. Imports from Japan remained subject to the strict controls that were already in effect. Certain timber and piece goods from Japan are admitted under quota, but imports of other Japanese goods may be authorized only upon individual application to the control authorities.

The items added to the list of goods that might be imported freely from dollar countries without exchange-quota limitations, although still subject to licensing, included a number of agricultural products (corn, barley, rice, fruits, peanuts, potatoes, sugar, and some others) and a much larger number of industrial raw materials and manufactured products. The latter group included certain beverages, tobacco, fibers and textiles, metal manufactures, machinery, motor vehicle parts and accessories, tractors and parts, tools, minerals and manufactures, rubber and leather manufactures, chemicals, and some other articles. Dollar items previously prohibited or under quota that were placed on the unrestricted list without quota limitation included cigars, tires and tubes, outboard motors, fishing tackle, and office equipment. Certain other dollar items, previously prohibited, including

[38] See *Operation of the Trade Agreements Program* (eighth report), p. 152.

motor vehicles and piece goods for clothing manufacturers, were placed under a currency quota.

As a result of the new additions to the list of goods that may be imported without restriction into the Federation from the nondollar, nonsterling countries that are parties to both the General Agreement and the OEEC, almost all classes of goods from these countries are now freed from the limitation of exchange quotas. In April 1956 provision was made for the importation of all but a few articles from these countries without the necessity of obtaining an import license. Imports from the dollar area remained subject to licensing, although they continued to be freely licensed.

Although the Federation of Rhodesia and Nyasaland was established in September 1953, it was not until about the middle of 1955 that the three constituent territories (Northern Rhodesia, Southern Rhodesia, and Nyasaland) completed the amalgamation of their tariffs into a single Federal tariff. The general incidence of the new tariff is not higher than that of the tariffs previously applied by the constituent territories of the Federation. In some other respects, however, there are substantial differences. The main problem in creating the new tariff was to establish levels of preference that would satisfy the Contracting Parties to the General Agreement that the rules of the General Agreement—under which no new preferences may be granted—had been observed, and to make certain that no countries entitled to preference would be adversely affected by having higher tariff rates applied to their products. Another problem involved new special customs arrangements with the Union of South Africa to replace the old arrangement under which most South African goods had entered Northern Rhodesia and Southern Rhodesia free of duty. Likewise there was the problem of reconciling the new tariff with certain international agreements, such as Southern Rhodesia's Ottawa agreement with the United Kingdom and its trade agreement with Australia.[39]

Union of South Africa

The import-control policy of the Union of South Africa was substantially the same during 1956 as it was during 1955.[40] South Africa eliminated its discrimination against imports from the dollar area in 1953—an action that was in conformity with its declared intention to remove all quantitative import controls as rapidly as conditions would permit. However, the Government has never announced any specific timetable for the removal of controls. Rather, it has continued on a year-to-year basis to restrict total imports to a level determined by the various factors that influence its balance-

[39] See ch. 2 for further details of the new tariff, particularly for details relating to the various columns of tariff rates and the way in which the preference problem was handled.

[40] See *Operation of the Trade Agreements Program* (eighth report), pp. 152–154.

of-payments position. Although South Africa's export position was unusually strong in 1955, and continued to be strong in the first half of 1956, there was a downward trend in the country's holdings of gold and foreign exchange. This decline was ascribed principally to two factors—increased imports resulting from the relaxation of import controls, and a net outflow of private capital in 1955.[41]

Throughout 1956 South Africa planned to continue its 1955 policy of admitting imports of agricultural machinery and implements and of assembly parts for motor vehicles on a liberal basis. Imports of steel-mill products and timber were given somewhat more liberal treatment than in 1955 by permitting importers to place orders for such imports without restriction, provided the orders were for their own stock. An exchange quota equal to 90 percent of the total value of the 1955 import permits issued to individual importers was established for raw materials, consumable stores, and spare parts. These quotas were available "automatically," but instead of arranging to supplement them later with further automatic quotas as more of such goods were required, the Government simply agreed to consider individual applications of manufacturers for further requirements, with the general promise that all applications covering valid requirements would be granted.

The importation into South Africa of certain consumer goods (for example, juke boxes, coin-operated machines, and certain types of magazines) is prohibited. The list of permissible imports of consumer goods ("general merchandise") was made subject to the same import controls in 1956 as applied in 1955. In January 1956 an initial allocation of 33-1/3 percent of the value of 1948 imports was made for these consumer goods; after about 3 months this allocation was increased to 53-1/3 percent by the addition of a 20-percent supplemental quota. These same allocations had been made in 1955. In 1956, however, importers of most of the consumer goods admitted under the 53-1/3-percent quota were given certain advantages that were not available to them in the previous year. In 1955 they had been permitted to convert their general-merchandise import permits into special permits valid for the importation of a smaller amount of certain "restricted" goods; during most of 1955 the conversion rate for such transactions was 2 South African pounds valid for general merchandise to 1 South African pound valid for restricted imports. Beginning January 1, 1956, importers holding import permits for general merchandise were permitted to exchange them for permits valid for the importation of a similar amount of restricted goods—that is, on a pound-for-pound basis. South Africa also has a small "priorities list" of consumer goods the importation of which it encourages

[41] There was a gross inflow of private capital in 1955, but this was more than offset by a gross outflow of private funds. The outflow was considered abnormal, however, and was ascribed mainly to the sale of South African gold-mine shares by British investors to South African buyers.

by permitting general-merchandise licenses to be exchanged for licenses that can be used for importing a larger amount of the goods on the priorities list. These priority permits are issued on the basis of 2 South African pounds for every pound of the general-merchandise permits surrendered.

South Africa has a 3-column tariff, consisting of maximum duties for imports from countries with which it has no most-favored-nation agreements, intermediate duties for most-favored nations, and minimum duties applicable under its preferential tariff. In addition, it employs "suspended duties" and "special suspended duties." These types of duties do not become operative when written into the tariff, but only when they are explicitly put into effect by Government notice. The suspended duties may be applied to all three columns of the tariff, but the special suspended duties may be applied only to goods that are subject to the maximum rate of duty. Japan is the most important country affected by the application of special suspended duties. During the year ended June 30, 1956, South Africa increased the duty on certain knitted cotton piece goods and other textile items by adding suspended duties to the duties already in effect, and made provision in the tariff for suspended duties—which were left inoperative—on a variety of other items. For a number of textile items, it also made special suspended duties operative under the maximum tariff, in addition to the regular tariff rates and the suspended duties (where applicable). Japan was the supplying country chiefly affected by this latter action. South Africa has made increasing use of dumping duties in the last year or two. During 1955–56 it made provision for the application of dumping duties to imports of a few items, including metal balls and nuts, certain electric motors and switchgear, and women's nylon stockings from the United Kingdom, brake linings from the United Kingdom and the United States, and cotton yarns from Egypt.

NONDOLLAR COUNTRIES OTHER THAN COUNTRIES IN OEEC OR THE STERLING AREA

The accession of Japan to the General Agreement on Tariffs and Trade in September 1955 increased to 10 the number of nondollar countries—exclusive of those that are members of OEEC or are in the sterling area—with which the United States had trade agreements during the year ending June 30, 1956. In this group of nondollar countries the United States now has bilateral trade agreements with Argentina, Iran, and Paraguay, and agreements under the General Agreement with Brazil, Chile, Finland, Indonesia, Japan, Peru, and Uruguay. These countries, like those of OEEC and the sterling area, are in short supply of dollar exchange, and use quantitative restrictions on dollar imports to protect their balance-of-payments position and to conserve their holdings of gold and dollar exchange. The restrictions on dollar imports, which reflect discrimination against such imports, vary in intensity from country to country. Peru, for example, employs relatively few import restrictions, reflecting the fact that its currency is substantially convertible. However, like all the other countries in this group (except Finland and Japan), Peru maintains multiple exchange rates—a practice that enables it to discriminate between sources of supply as effectively as if it employed more direct quantitative controls.

Differential exchange-rate systems are sometimes used mainly as a means of encouraging exports of certain commodities, and only incidentally to discriminate between sources of supply. Actually, a considerable part of the discrimination against dollar goods applied by most of the countries listed above is not directed against dollar imports as such. Rather, the discriminatory elements in their restrictions are inherent in the wide use these countries make of multiple exchange rates, and their use of bilateral arrangements for keeping their trade in balance with individual countries. Both types of arrangement are becoming less important features of commercial policy in these countries as their currencies move progressively closer to convertibility. The International Monetary Fund has had considerable success in persuading members who use multiple-exchange-rate systems to simplify and, if possible, to abolish such systems. All the nondollar countries here considered, except Argentina, are members of the International Monetary Fund.

Argentina

When the new Argentine Government came into power in September 1955 it immediately began to make drastic changes in the country's foreign-exchange system. It devalued the currency, greatly simplified the multiple-exchange-rate structure, and made preparations to remove a number of trade controls as rapidly as conditions would permit. The reform represented a widespread realinement of Argentina's exchange transactions between the country's two exchange markets—the official market and the free market. The increased prominence of the free market, in turn, greatly facilitated the possibility of multilateral clearances and reduced Argentina's reliance on bilateral transactions with other countries.

In October 1955 Argentina established a single official buying and selling rate of exchange of 18 pesos per United States dollar or its equivalent in other currencies. The new rate replaced the previous official buying and selling rates of 5 pesos and 7.50 pesos per dollar—applicable respectively to imports and exports. These two fixed rates had been in effect since 1950, together with a controlled "free market" rate of 13.95 pesos per dollar. By "mixing" the exchange rates [42] and by frequent shifting of import and export

[42] For example, proceeds from exports of wool and raw sheepskins paid for in United States dollars, and under certain conditions in pounds sterling, had to be surrendered 50 percent at the 5-peso rate and 50 percent at the 7.50-peso rate, resulting in a "mixed" rate of 6.25 pesos per United States dollar.

commodities to the more depreciated exchange rates, Argentina had built up a very elaborate multiple-exchange-rate structure.

Shortly before the reform measures of October 1955, there were 2 selling rates and 11 effective buying rates for various export proceeds—including 8 "mixing" rates. Relatively few imports (consisting of such preferred commodities as coal, coke, fuel oils, and crude petroleum) were effected at the basic official rate of 5 pesos per dollar; the great bulk of imports and all authorized invisibles and capital were paid for at the controlled free-market rate of 13.95 pesos per dollar. Initially, this highly unfavorable rate had been intended for only nonessential imports and nontrade remittances, but an increasing number of essential import commodities were transferred from more favorable rates to this unfavorable rate. In addition, imports were restricted by the use of global currency allocations for all imports, by import licensing, by import quotas for some goods, and by licenses for nontrade payments.

The new structure of exchange rates established in October 1955 is considerably less elaborate than the one it replaced. It is still characterized, however, by a number of different effective buying rates resulting from the application of levies of various amounts on the official buying rate, and the application of a surcharge on the free-market selling rate for certain imports. These levies and surcharges reflect a continuation of Argentina's reliance on differential rates—for imports, in order to favor more essential over less essential goods, and for exports, in order to increase the marketability abroad of commodities that are difficult to sell. They also reflect the fact that the creation of a free market for capital transfers and certain capital goods when the peso was devalued provided new opportunities for the purchase of dollars and other foreign currencies, even though the exchange rate for such transactions was much higher than before. In order to place a further deterrent on such transactions, Argentina applied a fixed surcharge (see below) on the free-market rate, thus additionally protecting the value of the peso from transactions that might cause it to decline. The surcharge is meant to be temporary, but as long as serious payments difficulties continue Argentina undoubtedly will retain the surcharge and also the quantitative restrictions that are now applied to commodity imports.

Under the present exchange system, the Central Bank of Argentina pays the official rate of 18 pesos per United States dollar for proceeds from exports of such commodities as ores and other mining products, tanned hides, and yarns and threads. It collects a variety of levies from the exporters' proceeds from sales of other commodities: 10 percent of the official rate for proceeds from exports of grains, oilseeds, and other farm products, making the effective rate 16.20 pesos per dollar; 15 percent for proceeds from exports of meat, most dairy products, and combed wool and tops, making the effective rate 15.30 pesos per dollar; 20 percent for proceeds from exports of scoured wool, making the effective rate 14.40 pesos per dollar; and 25 percent for proceeds from exports of greasy wool, dry and salted hides, and timber, making the effective rate 13.50 pesos per dollar. Proceeds from all other exports, including invisibles and capital, are bought at the free-market rate; the buying rate for such transactions was approximately 35.50 pesos per dollar at the end of 1955. All exports are subject to an 8-percent sales tax.

The price of exchange to importers is now 18 pesos per dollar (the official rate) for imports of such essential commodities as edible oils, fruits, vegetables, iron, steel, wire, aluminum, coal, coke, petroleum and derivatives, copper, tinplate, zinc, thread, newsprint, rubber, paints, certain agricultural machinery, and certain spare parts. The free-market selling rate (approximately 36.50 pesos per dollar at the end of 1955 [43]) is applied without a surcharge (although prior authorization is required) to imports of a number of commodities, including motors and spare parts for phonographs, electric generating equipment, sewing needles, sheet music, books, maps, drawing paper, parts for mechanical pencils, spare parts for bicycles, various herb roots, and seeds. For imports of motor bicycles and spare parts for motor vehicles and for industrial and other machinery, the selling rate for foreign exchange is the free-market rate plus a surcharge of 20 pesos per dollar; at the end of 1955 the effective rate for such goods was approximately 56.50 pesos per dollar. With few exceptions, imports subject to the 20-peso surcharge may be imported without prior authorization. Numerous additions to and deletions from the import lists discussed above—notably the free-market list—were made during the months following the publication of the initial lists, and the surcharge on some imports in the free-market list was increased to 40 pesos per United States dollar. In December 1955, because of a shortage of exchange, Argentina prohibited the importation of automobiles weighing more than 1,500 kilograms, and imposed very heavy surtaxes—80,000 pesos, 225,000 pesos, and 275,000 pesos per vehicle, according to weight and value—for imported automobiles weighing 1,500 kilograms or less.

The income from the levies on export proceeds and the surcharge on the sale of foreign exchange to importers are deposited in a special account called the "Fund for the Recovery of the National Economy." This fund is earmarked for use in the technological and economic development of cattle production and agriculture, and for payment of temporary subsidies on bread, meat, and certain imported foodstuffs to alleviate the effect of higher prices on the cost of living.

The changes in Argentina's exchange-control system, mentioned above, arose from a belated recognition in official circles that drastic steps were required to arrest certain trends that had been developing for several years.

[43] By the end of February 1956 the free exchange rate had fallen to about 42 pesos per United States dollar, but by the end of June it had recovered to 32 pesos per dollar.

These trends included a deterioration in the country's balance-of-payments position, a heavy decline in its gold and foreign-exchange reserves, a sharp rise in short-term foreign debts, inflation, and numerous associated symptoms of unsound economic management. Expansion of the monetary supply and the consequent inflation resulted mainly from increased Government borrowing to finance subsidies on imports and deficits of the State Trading Institute.

Argentina's exchange-reform measures were intended to eliminate some of the more direct causes of inflation, such as the monetary expansion entailed in meeting the losses arising from the Government's price-support program for grains. In addition to heavy expenditures resulting from the state grain price-support programs, Argentina has expended large sums for the repatriation of foreign debt and capital, and in recent years has needed an exchange system that would attract foreign investment capital. It sought to accomplish this result, in part, by permitting exchange derived from incoming capital to be sold at a rate more attractive to foreign investors than the old controlled rate had been. In addition, restrictions were relaxed on the repatriation of foreign investments and the remission of profit and interest payments to foreigners who had made investments in Argentina by permitting such outpayments to be made through the free market. Foreign investors were also accorded special facilities for importing into Argentina new machinery, spare parts, raw materials, and other essentials for their enterprises on substantially the same terms as imports of capital itself.

The substitution of a system of multilateral payments for Argentina's old system of bilateral arrangements was made possible by changing the regulations relating to the selection of currency and method of settlement for transactions with other countries. Under the old regulations, payments to or from other countries were made under terms of Argentina's payments agreements with those countries, and as prescribed in Argentina's exchange-control regulations. Payments with many countries were settled through accounts maintained in "clearing" dollars or, in some cases, through the free market. That system continued to operate for several months after the exchange-reform measures of October 1955 became effective.

Toward the middle of 1956 Argentina arranged with a number of countries with which it had bilateral trade and payments agreements, for the introduction of a multilaterally based system of trade and payments, known as the "Paris Club." [44] The countries with which Argentina entered into these arrangements are Austria, Belgium-Luxembourg, Denmark, France, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom; the Federal Republic of Germany expressed a readiness to join the multi-

[44] The Paris Club has some similarity to the Hague Club, under which Brazil entered into multilateral arrangements with certain European countries. See the following subsection, on Brazil.

lateral system as soon as possible. Full details of these agreements had not yet been made public by the end of the period covered by this report, but it was announced that under the new arrangements trade and payments are to be conducted in transferable currencies and that Argentina is not to discriminate in any manner among the participating countries. Since Argentina is not short of sterling exchange, the new arrangement does not represent a significant change in its current practices with respect to sterling. Provision also was made for the settlement of Argentina's debts to the countries with which it was preparing to trade on a multilateral basis. This settlement involved extensive re-funding operations for existing indebtedness, and the granting to Argentina of new credits to finance current imports.

During the period in which the new exchange system was being placed in operation, there were relatively few changes in Argentine import duties. Argentina did, however, revise its schedule of consular fees for the legalization of shipping documents and other consular services to conform to the modifications in its foreign-exchange system. It increased from 14 pesos to 32.25 pesos per United States dollar the rate for conversion to pesos of the f.o.b. dollar invoice value of shipments, and for determining consular fees in dollars. These fees, which are numerous, were increased to reflect the devaluation of the peso.

Brazil

Brazil has long operated under the handicaps of inflationary pressures at home, a precarious foreign-exchange reserve position, and the necessity of amortizing large commercial arrears with various countries out of current receipts of foreign exchange. Most of Brazil's trade has been conducted on a bilateral basis under trade or payments agreements which require that exchange derived from transactions with any bilateral-agreement country be used exclusively to finance purchases from that country.

In 1955 Brazil took important steps toward a less restrictive trade policy by shifting from strict bilateralism to multilateralism in its transactions with a number of countries. The shift began before the new Government, which came into power early in 1956, had inaugurated its extensive program of abandoning many of the trade controls that had been introduced by the previous Government. Actually, the break with bilateralism came with the insistence by West Germany that the West German-Brazilian bilateral offset-account system of payments be abandoned, and that it be replaced by a new payments agreement that would provide for multilateral settlements. This change was accomplished, along lines desired by Brazil, by bringing the United Kingdom, the Netherlands, Belgium-Luxembourg, and finally Austria and Italy, into what had previously been an exclusive West German-Brazilian "club."

Under the new arrangement, popularly called the Hague Club, Brazil is given complete freedom to convert its earnings of West German marks into the currencies of the other participating countries.[45] All the European currencies involved are pooled; Brazilian importers are thus able to draw on the pool for purchases they make from any one of the European participants. As long as West German-Brazilian trade and payments were on a bilateral basis, West Germany's earnings of cruzeiros could be used only for purchases from Brazil. Under the multilateral arrangement, they are available for purchase by importers in the other European participating countries, for use in obtaining goods from Brazil. By making formerly inconvertible cruzeiros convertible within the area of limited convertibility represented by the Hague Club, West Germany was able in a very short time to have its large credit arrears in Brazil absorbed by the other members of the Hague Club.[46] West Germany then replenished Brazil's supply of deutschemarks by granting Brazil a credit, but with the provision that part of the proceeds must be used for purchases in West Germany. Only the remainder becomes freely convertible into the currencies of the other European participants in the multilateral arrangement.

In joining with West Germany and the other European countries in the arrangement for multilateral transactions, Brazil did not simplify the machinery of its highly complex system of multiple exchange rates.[47] The effect of the multilateral arrangement, however, was to permit certain payments to be made more freely. Brazil still maintains several buying rates for the proceeds from exports; the effective rates reflect the payment by the Bank of Brazil of different bonuses based on the category of the exports and the currency in which the proceeds are received. The various export categories are frequently reclassified by shifting commodities from one category to another, and the bonuses also are sometimes changed. In May 1956 the bonuses were substantially increased for most minor Brazilian export products.

In selling foreign exchange to importers, the Brazilian Government

[45] The Hague Club is open for participation by other countries that wish to join it, but by the end of June 1956 only the countries named had become participants in the multilateral arrangement. An important difference between the multilateral arrangements under the Hague Club and those under the Paris Club is that in Brazil the effective rates of exchange for the pooled currencies are determined by auction premiums, and therefore fluctuate according to the supply of and demand for these currencies, whereas in Argentina, which does not use the auction system, the rate remains stable, since all transactions are carried out at an official cross rate.

[46] By June 1956 all of Brazil's outstanding arrears, except those in sterling, had been paid. Sterling was already on a transferable basis among countries outside the dollar area when the United Kingdom joined the Hague Club; therefore it was necessary for the United Kingdom to make only certain modifications in its existing payments arrangements and in its agreement with Brazil relating to the payment in installments of Brazil's sterling arrears.

[47] Compare, for example, the survey of Brazil's exchange system in the *Seventh Annual Report on Exchange Restrictions* (1956), published by the International Monetary Fund, Washington, with that in the *Sixth Annual Report* (1955).

employs the official rate (18.82 cruzeiros per United States dollar or its equivalent in other currencies) for imports of newsprint. For Government imports (including wheat) and for certain other Government payments, and for imports of coal, highly essential machinery, and certain service payments, it adds a surcharge of 25 cruzeiros per dollar to the official rate. For all other commodity imports (there are five categories, arranged in order of essentiality) the effective rates of exchange are much higher, as a result of the addition to the official rate of a remittance tax of 10 percent of the official rate, plus auction premiums. On January 3, 1956, the effective rate of exchange thus arrived at ranged from about 87 cruzeiros per United States dollar for category I imports (certain pharmaceutical products and essential commodities for the promotion of employment and agricultural production), to about 100 cruzeiros per dollar for category II imports (essential raw materials and codfish), to 175 cruzeiros per dollar for category III imports (other raw materials and highly essential spare parts and equipment), to 238 cruzeiros per dollar for category IV imports (fresh fruits, less essential spare parts and equipment, office machinery, and certain consumer goods), and to 345 cruzeiros per dollar for all other imports.

Import licenses are required for virtually all private imports into Brazil. Holders of exchange certificates purchased at auction are automatically granted import licenses. The actual restriction of imports, however, results from limiting the issuance of licenses to holders of exchange certificates and from the extremely high rates of exchange that are applicable to most imports. For example, Brazilian imports of United States fresh fruits, such as apples, pears, and grapes, have declined to negligible quantities in the past few years, partly because of the high price that Brazilian importers must pay for dollar exchange required for such imports, and partly because of exchange auctions at which Brazilian trade-agreement credits with Argentina have been sold at especially low rates to be used exclusively for importing Argentine fruit.

Brazil began in 1951 to make a complete revision of its tariff, but no new tariff had yet been enacted into law during the period covered by this report. The nomenclature of the new tariff is modeled on the classification adopted by the Brussels Council on Customs Cooperation. As proposed in the text of a bill submitted to the Brazilian Congress in December 1955, the new tariff will provide generally higher rates of duty than the old tariff, and all duties will be on an ad valorem basis. Imports will be divided into three groups, depending on the importance of the items to the Brazilian economy. The duty scales recommended range from duty-free treatment to 10 percent ad valorem for items considered of primary essentiality to the economy, from 11 percent to 60 percent ad valorem for items competitive with domestic products that do not require full protection but are unable to compete successfully with similar imported products, and from 61 percent to 150 percent ad valorem for imports that are not considered essential, as well as for those that compete with domestic articles that require high protection.

During the first 6 months of 1956 there was a considerable improvement in Brazil's balance-of-payments position, and Brazilian reserves of United States dollars increased to the highest level in several years. These developments resulted largely from increased exports of coffee at good prices and from a sharp decline in imports. The decline in imports reflected the effects of the policy of restricting imports to strengthen the country's international financial position.

Chile

During 1955–56, the high degree of discrimination against dollar imports that has long resulted from Chile's multiple-exchange-rate system and other methods of controlling imports was relaxed by stages. This action was in line with earlier action—particularly that in November 1954—which was intended to simplify the country's payments system and to establish a free exchange market for all commodity transactions.[48]

Chile adopted a multiple-exchange-rate system in 1931 as a depression measure. Under this system certain imports were accorded more favorable rates than others, depending on the decisions as to their essentiality by the exchange-control authorities. A number of different export rates were established, with a scale of higher rates for commodities that required subsidization in order to compete in foreign markets, and lower rates for those that did not. Establishment of these rates resulted in the creation of such special currency values as the "copper dollar," the "nitrate dollar," the "sulfur dollar," and the "wine dollar." Moreover, since the authorities were unable to control internal inflation, the value of the peso in terms of the dollar and other currencies declined sharply over a period of years. Between December 1954 and January 1956 the banking rate of 200 pesos per United States dollar, applicable to most exports and imports and to most invisibles, declined to about 300 pesos per dollar. The fluctuating brokers' free-market rate for certain exports, certain invisibles, and private capital declined from 310 pesos to more than 500 pesos per dollar. In August 1955 the free-market rate reached a level of more than 800 pesos per dollar.[49]

In an effort to halt inflation and to strengthen the peso on the foreign-exchange market, Chile employed a group of United States private consultants to advise it on procedures. On the basis of recommendations by

[48] See *Operation of the Trade Agreements Program* reports: Seventh report, pp. 193 and 206; eighth report, pp. 157–158.

[49] The par value of the peso—110 pesos per United States dollar under the exchange-rate system that prevailed before April 20, 1956—applied to only a few specified exchange transactions.

this group, Chile replaced the old multiple-exchange-rate structure with a free fluctuating-exchange market for all commodity transactions. However, it retained the free brokers' market for some invisibles and for private-capital transactions. The new system became effective on April 20, 1956.

An immediate effect of freeing the peso from control was to devalue it. The Central Bank of Chile established the exchange rate (brokers' free rate) at 490 pesos per United States dollar, or the equivalent in other currencies.[50] This rate applied to virtually all permitted imports—approximately the same coverage to which the rate of 300 pesos per dollar had applied before the peso was freed from control. Since the devalued peso makes it difficult for the Chilean Government to maintain ceiling prices for imported products, it was necessary to take steps to prevent the value of the peso from declining further and to restore its lost purchasing power. One of the steps taken was to make agreements with the International Monetary Fund, the United States Treasury, and a number of United States commercial banks for a 75-million-dollar currency-stabilization loan to meet possible dollar "runs." A more direct measure to maintain ceiling prices for imported products took the form of temporary direct subsidies for certain highly essential imports. The Government also prohibited the importation of certain luxury goods in order to prevent a heavy outflow of dollars for nonessentials.

By an agreement of March 13, 1956, between Chile and the United States, arrangements were made for the sale to Chile of United States surplus agricultural products with a total value of about 35 million dollars. Payment to the United States is to be made in pesos, and a substantial part of the amount to be paid is earmarked for loans to Chile for use in its economic development. This arrangement makes possible a substantial saving in foreign exchange. In the first quarter of 1956, Chile adopted a number of measures designed to curb inflation and stabilize its economy, including restrictions on bank credit and a wage-and-price-stabilization law.

During 1955–56 Chile changed relatively few of its rates of duty on imports. It did, however, substantially expand its list of permitted imports. Throughout 1955 Chile had continued to prohibit the importation of about 700 items, none of which are subject to concessions in Chile's existing international agreements. In April 1956, when the exchange-control reform was placed in effect, Chile considerably reduced the number of import items subject to restriction. At the same time it abolished import licensing—formerly required for all imports—and allowed imports of listed or permitted goods to enter the country without quantitative limitation.

In the 2 months following adoption of the new exchange system in April 1956, total exchange transactions declined sharply. The decline was due

[50] Late in June 1956 the bankers' free rate was 498 pesos per United States dollar, and the brokers' free rate was 530 pesos per United States dollar.

to prevailing credit restrictions, the existence of large stocks of imported goods, and the reaction of the market to the various new changes in the import-control system. Imports of goods formerly subject to severe quantitative import restrictions—notably capital goods—increased substantially. Imports of goods already available from existing stocks—such as certain raw materials—tended to decline. The long-run effect of the new system of freely fluctuating exchange rates should be to permit more imports from the United States than were permitted under the old system, which tended to divert purchases from dollar to nondollar sources—especially to West Germany.

Finland

The external payments position of Finland improved substantially in 1955; its holdings of gold and foreign exchange increased, although its gold and dollar reserves did not increase as rapidly as did its total reserves. These developments enabled Finland to further relax its import restrictions—particularly on goods from nondollar sources, but also to some extent on dollar goods.

On July 1, 1955, Finland introduced a new and more liberal import procedure for imports originating in nondollar countries. The principal feature of the new procedure was a system of automatic import licenses for a long list of raw materials, foodstuffs, and certain industrial equipment. Imports from dollar countries were not affected by this procedure. In the following November the list was extended to include a number of chemicals, specified spare parts for certain automobiles and for engines, certain technical instruments, and a few raw materials for the production of foodstuffs. This action brought the ratio of Finnish imports subject to automatic licensing to about 45 percent of total imports. Exchange for the nondollar imports listed for automatic licensing was to be provided on the basis of existing payments agreements between Finland and the exporting countries. Importers were permitted to select the countries of purchase as long as they confined their choice to nondollar sources.

No quantitative or currency limitations were placed on imports of the listed commodities. Importers were required, however, to make an advance deposit with the Bank of Finland equal to 10 percent of the c.i.f. value of the amount—above a certain minimum—specified in the license. Receipt of these advance payments enabled Finland to operate without seeking new foreign short-term credits. During the first 2 months, licenses in certain currencies whose use was not restricted by the Bank of Finland (most Eastern European currencies and several Western European and Latin American currencies) were exempted from the advance deposit. On September 1, 1955, however, the deposit requirement was extended to imports from all countries. In April 1956 the advance deposit was increased from 10 percent to 20 percent. The original 10-percent-deposit requirement continued to apply to all imports, but the additional 10 percent did not apply to those imports for which an import license is automatically granted, or to certain other goods—chiefly raw materials. The additional 10-percent requirement represented an attempt to further limit imports without intensifying quantitative restrictions.

In December 1955 the system of automatic licensing was extended, for the first time, to a diversified list of goods that could be imported from any country, including the dollar countries. At the same time, some additional goods were placed on the nondollar list, increasing the coverage of the list from about 45 percent to about 50 percent of Finland's total imports. The goods placed on the "all-country" list consisted largely of materials for industry, including refractory materials, salt, fluorspar, some dyes and chemicals, bacteriological preparations, some rubber and textile items, manufactures of abrasives, iron and steel scrap, certain nonferrous metals, and a variety of hospital and scientific instruments. Shortly before it took action, Finland had adopted a more liberal licensing policy for automotive spare parts by permitting increased imports from all sources without discrimination; previously such imports from dollar countries had been much more severely restricted. For the great bulk of dollar goods—probably as much as 95 percent—Finland has not relaxed its import restrictions. For example, there have been no direct shipments for several years—not even token exports—of apples, pears, grapes, oranges, and other fresh fruits from the United States to Finland. Finland obtains most of its fresh fruit from countries with which it has bilateral trade agreements. However, relatively small quantities come from the United States through switch transactions; that is, some of the countries with which Finland has bilateral agreements have allowed Finland to transfer part of its earnings of their currencies into dollars or other specified currencies.

During the period covered by this report, Finland changed some of its tariff rates. As of September 1, 1955, Finland increased the duties on a long list of commodities on which it had granted duty concessions under the General Agreement on Tariffs and Trade. This action, which was authorized by the Contracting Parties to the General Agreement, was taken to compensate for the 1949 devaluation of the Finnish currency. Effective January 1, 1956, Finland reduced the import duties on oats, tallow, and nylon rope; removed the duties on steel billets and aluminum rod and wire; and increased the duties on certain classes of cordage. Ad valorem rates were substituted for the former specific duties on a number of items, including some articles of steel, copper, and aluminum; razors and razor blades; toys; certain internal combustion engines; road rollers; some agricultural implements; and various other machines and accessories. For a number of items the incidence of the new ad valorem rates was higher than that of the specific duties they replaced.

Indonesia

Indonesia practices no significant discrimination against imports from the dollar area. It does, however, restrict imports of certain dollar products to conserve dollar exchange for other uses. For most countries, lack of discriminatory treatment reflects an overall liberal import policy; for Indonesia it has represented a generally restrictive policy. Until recently, the outstanding feature of Indonesian commercial policy was the highly complex and confusing system of licensing imports and of making import payments—a system that had grown up over a period of several years. This system not only precluded orderly administration of the country's trade; it also thwarted the possibility of combating inflation and of dealing with the country's serious economic problems except by relying on quantitative import restrictions.

When the new Indonesian Government came into power in August 1955, it immediately inaugurated a comprehensive revision of the country's import policy and import procedures. As part of its overall program to combat inflation, Indonesia departed sharply from its previous heavy reliance on quantitative import restrictions and adopted monetary and fiscal policies as the primary means of combating inflationary tendencies. Indonesia's becoming a member of the International Monetary Fund in April 1954 indicated that it was ready to cooperate in the Fund's general program of assisting its members to overcome their foreign-exchange problems. Specifically, the Government undertook to bring about a decline of prices by checking the excessive velocity of monetary circulation and by accelerating the flow of goods by relaxing import restrictions. Relaxation of import restrictions resulted—as intended—in a decline in import prices, and forced traders to to reduce their hoarded inventories. It was also designed to establish a better competitive situation for national importers and to lessen corruption and official malpractice. All previous regulations establishing import surcharges were abolished; the wide variety of additional levies on various categories of imports was replaced by a scale of consolidated levies. Imports were reclassified into four categories—essentials, semiessentials, semiluxuries, and luxuries—each subject to additional assessments under the new scale of levies. The consolidation of the old levies and the creation of new import categories represented a simplification of this aspect of Indonesia's foreign-trade regulations. It did not, however, change the country's reliance on differential rates of exchange for different categories of imports. Most imports classified as essential are subject to the official rate (11.475 rupiah per United States dollar), plus a levy equal to 50 percent of the official rate. Semiessentials are subject to a levy of 100 percent, semiluxuries to a levy of 200 percent, and luxuries to a levy of 400 percent. The exchange-control authorities were authorized to exempt imports of any commodity from the new levies.

Numerous old procedures, including those for barter trade, those for compensation trade, and those for permitting imports of certain commodities "free of foreign exchange," were replaced by new procedures. Formerly certain luxury goods could be imported without the use of foreign exchange by persons—largely foreign nationals—who were permitted to retain non-trade exchange holdings in their own currencies. Such goods consisted almost entirely of passengers' baggage, household effects, gifts, and similar articles. Under the new regulations, imports of machinery, industrial raw materials, building materials, transportation equipment, medicines, and textiles were permitted "free of foreign exchange."

Indonesia has also sought to simplify the administration of import controls by drastically reducing the number of authorized importers. Early in 1956 it withdrew all authorizations granted to Indonesian national importers under previous regulations. It decreed that national firms applying for authorization to import under the new rules must comply with several regulations, including one that requires the deposit of 500,000 rupiah with a bank to cover the cost of future imports. Foreign, or nonnational, firms were treated much more severely; they were required to deposit 5 million rupiah by February 1, 1956, to cover the cost of future imports or lose their authorization to act as importers. It was expected that most of the nearly 1,700 nonnational firms would fail to meet this requirement. Late in 1955, in order to further protect the interests of national importers, Indonesia extended the list of goods that might be imported only by national importers. The list includes all kinds of textiles and small wares, certain medicines, certain stationery and paper, wheat flour, cement, nails, and certain milk products.

When it is considered necessary, the Indonesian Government supplements the restrictive effect that its artificially high foreign-exchange rates have on imports by rationing exchange for the importation of commodities it wishes to restrict on a selective basis. In the fall of 1955, for example, it used this method to restrict commercial imports of automotive vehicles and tractors. An added feature of the new arrangement was the allocation of available exchange for the importation of only named brands of automobiles, station wagons, trucks, jeeps, buses, tractors, diesel engines, motorcycles, scooters, and motorized bicycles, from various countries, including the United States and Canada. The purpose of this arrangement was to conserve foreign exchange and to simplify the spare-parts supply problem.

In March 1956 Indonesia agreed with the United States to purchase surplus United States farm products valued at about 96 million dollars, for delivery over a 2-year period. The commodities include rice, cotton, leaf tobacco, and wheat flour. Payment for these will be made in rupiah, most of which the United States will lend to Indonesia for financing long-term economic development. The rest will be employed to develop agricultural marketing in Indonesia and for other short-term uses.

Having adopted a policy of forcing a reduction in prices by relaxing restrictions on imports, Indonesia was under greater pressure than ever to introduce new and more effective measures to stimulate exports. Beginning in 1953 Indonesia issued negotiable "inducement" certificates for designated percentages of the proceeds from exports of various products. The holder could use these certificates to cover payment of certain nonessential imports, or could sell them to other importers. Because domestic prices were considerably higher than world market prices, Indonesian exporters could recover their losses on exports only by selling imports or the inducement certificates received under the export-incentive plan. Indonesia abolished the inducement-certificate system in June 1955, thus terminating a popular feature of the export business. The Government did not provide other means of stimulating exports until the following October, when it abolished certain export duties and established some export premiums. During the period of the hostilities in Korea, when Indonesia's principal exports were in great demand, the Government introduced or increased export duties on a number of them; only a few commodities were favored by the payment of an export premium. Under the legislation of October 1955, most general export duties were abolished or reduced, and all extra export duties or export surtaxes were abolished. Export premiums were established for pepper and other spices, tea, kapok, sisal, hides and skins, and a few other articles that meet serious competition in foreign markets.

Iran

Iran relies chiefly on quota restrictions to control imports. In 1955, when prices in Iran declined sharply and when both domestic producers and importers faced financial difficulties, Iran sought to ease the situation by adopting various remedial measures. These measures included a refusal to increase import quotas when they were exhausted (and most of them were exhausted early in the quota period) and a development program designed to increase general purchasing power. During 1955 and early 1956, the United States Government made large financial grants to Iran (partly in cash and partly in the form of purchase authorizations), and the Export-Import Bank of Washington completed loan arrangements for a program of economic development in Iran.

The principal change in the commercial policy of Iran during the period covered by this report occurred in March 1956. At that time a single exchange rate of 76.50 rials per dollar (or its equivalent in other currencies) became applicable to all imports, and a slightly different rate—75.00 rials per dollar—became applicable to all exports. This development marked an appreciable decrease in Iran's reliance on multiple-currency practices; previously there had been 2 buying rates for proceeds from exports and 3 selling rates for foreign exchange. Until that time, imports from the United States and other countries that enjoyed most-favored-nation treatment had been valued for duty purposes at the official rate of 32.50 rials per United States dollar. In effect, application of the new rate of 76.50 rials per dollar in evaluating imports for duty purposes has resulted in a substantial increase in all Iranian ad valorem rates of duty. As a consequence, articles subject to ad valorem rates of duty, on which Iran had granted the United States concessions in the United States-Iran bilateral trade agreement of 1944, are now subject to higher import charges than were originally agreed upon. Iranian importers strongly protested the application of the new exchange rate, on the ground that it would result in a sharp increase in the prices of imported goods.

Japan

As a nondollar, nonsterling country, Japan has long had problems similar to those faced by other countries of this group and has employed similar methods in dealing with them. For Japan, however, problems such as maintaining exports at a high level, differentiating between sources of imports, and building up and maintaining large reserves of foreign exchange have been intensified to a degree not equaled in most other countries. This situation results not only because Japan is a large-scale industrial and exporting nation that must import the greater part of its industrial raw materials and a considerable part of its foodstuffs, but also because of the resistance in many countries to competition from Japanese manufactured goods. Since Japan's commercial policy centers so heavily on the maximization of exports, the country constantly faces the problem created by restrictions—or the threat of restrictions—applicable to imports of Japanese goods into other countries.

Recent changes in Japan's commercial policy are best understood against the background of developments in that country's external financial position and its reserves of dollars and other foreign exchange. Data on Japan's international transactions between 1947 and 1955 (see table 6) show an excess of merchandise imports over merchandise exports in every year, as well as an annual excess of payments over receipts for services, chiefly in the ocean-transportation and insurance accounts. These deficits, however, were more than counterbalanced by United States direct aid and by "special Government receipts," [51] both of which were very large. As a result, Japan was able during the period 1947–55 to build up its reserves of dollars and other foreign exchange at the same time that it was incurring large deficits in its goods and services accounts. During the past several years, moreover,

[51] Special Government receipts comprise reimbursement by the United States and other United Nations countries "of the costs to Japan of supporting the UN-Korea forces stationed in Japan, the sales to UN forces in Korea under the special procurement program, and the receipts from the U. S. expenditures for the maintenance of U. S. forces since the Peace Treaty." International Monetary Fund, *Balance of Payments Yearbook,* vol. 7, Washington, 1956, "Japan," p. 11.

Japan's external financial position was strengthened considerably by the marked increase in that country's merchandise exports, which coincided with a much smaller increase in its merchandise imports. Japan's merchandise trade deficit was only 74 million dollars in 1955, compared with 791 million dollars in 1953.

Japan's merchandise trade with the dollar area is chiefly with the United States and Canada.[52] In 1948, 27 percent of Japan's total exports went to the United States and Canada; during the period 1951–53, the corresponding share averaged 18 percent; and during the period 1954–55, it was 22 percent. In 1948, 78 percent of Japan's total imports came from the United States and Canada, but in the period 1951–53, and also in the period 1954–55, the corresponding share was 39 percent.

From 1947 to 1952, United States aid financed one-third of Japan's imports, and special Government receipts financed an additional 28 percent; thus, during this 6-year period 61 percent of Japan's imports were financed from these two sources of income. Direct United States aid—mainly in the form of grants—came to an end in 1952, but special Government receipts continued on a large, though declining, scale; during 1953–55 these receipts financed 31 percent of Japan's imports. For the entire period 1947–55, United States direct aid and special Government receipts together financed 42 percent of Japan's imports.

Without United States direct aid of 1.9 billion dollars and special Government receipts of 3.5 billion dollars during the years 1947–55, Japan's recovery would have been much slower than it was. Even though the recovery has been phenomenal, there still remains a basic weakness in Japan's payments position that has been temporarily concealed by these extraordinary forms of aid. Despite the increase in dollar balances, there is a latent shortage of dollars that can be overcome only by a large increase in exports when foreign exchange ceases to be earned through special-procurement expenditures.

Japan's total official gold and foreign-exchange holdings increased from 1,101 million dollars in 1952 to 1,338 million dollars in 1955;[53] by June 30, 1956, the holdings had increased to 1,458 million dollars. In addition, there were relatively small amounts of foreign exchange held by private banks. Between 1952 and 1955, gold holdings increased from 16 million dollars to 23 million, and official holdings of United States dollar exchange increased from 714 million dollars to 812 million dollars. By June 30, 1956, the official holdings of United States dollars had increased to 982 million and, in addition, 110 million dollars was held in banks other than the Bank of Japan.

[52] About 90 percent of Japan's exports to and imports from the United States and Canada are accounted for by the United States.

[53] International Monetary Fund, *International Financial Statistics.* Unless otherwise indicated, the figures on gold and foreign-exchange holdings are for the end of the year; all figures are in United States dollar equivalents.

TABLE 6.—*Japan: International transactions, 1947–55*

[In millions of United States dollars [1]]

Item	1947	1948	1949	1950	1951	1952	1953	1954	1955 [2]
A. Goods and services:									
Imports (f.o.b.)	−449	−547	−728	−822	−1,645	−1,686	−2,049	−2,040	−2,081
Exports (f.o.b.)	182	262	533	821	1,353	1,276	1,258	1,611	2,007
Trade balance	−267	−285	−195	−1	−292	−410	−791	−429	−74
Services (net) [3]	−91	−121	−160	−82	−174	−185	−237	−253	−245
Total	−358	−406	−355	−83	−466	−595	−1,028	−682	−319
B. Special Government receipts [4]	----	19	49	153	624	788	803	602	505
C. Total (A plus B)	−358	−387	−306	70	158	193	−225	−80	186
D. Miscellaneous donations and capital (net) [5]	----	1	−32	48	50	−6	−3	42	117
E. Net errors and omissions [6]	14	27	−18	−15	8	----	1	13	----
F. Total, excluding special Government receipts	−344	−378	−405	−50	−408	−601	−1,030	−627	−202
G. Total, including special Government receipts	−344	−359	−356	103	216	187	−227	−25	303
H. United States aid [7]	410	465	535	361	155	5	----	----	----
I. Monetary movements:									
Use or repayment (−) of IMF resources	----	----	----	----	----	----	[8] 62	----	[8] −62
Other official short-term liabilities	−23	−62	19	−31	−10	42	95	104	90
Sterling balances (increase −)	----	−13	−56	−10	−157	−51	125	−107	−61
U. S. dollar balances (increase −)	−15	−33	−105	−296	−121	−174	−30	130	−221
Other short-term assets (increase −)	−26	5	−34	−123	−79	−21	−23	−99	−47
Monetary gold (increase −)	−2	−3	−3	−4	−4	12	−2	−3	−2
Total	−66	−106	−179	−464	−371	−192	227	25	−303

[2] Preliminary.
[3] By far the largest single item is transportation and insurance; also included are nonmonetary gold, investment income, and "other services."
[4] Includes reimbursement by the United States and other United Nations countries of the costs to Japan of supporting United Nations–Korea forces stationed in Japan, sales to United Nations forces in Korea under the special procurement program, and receipts from United States expenditures for the maintenance of United States forces after the peace treaty with Japan (April 28, 1952).
[5] Includes private donations, private capital, gold and United States dollar subscriptions to the International Monetary Fund and the International Bank for Reconstruction and Development, and other official donations.
[6] The figures for "net errors and omissions," according to the analysis of the International Monetary Fund, are believed to refer mainly to groups A through D.
[7] Loans totaling 10 million dollars were made to Japan by the United States in 1947–48; all the rest represents grants.
[8] Purchases of sterling from the International Monetary Fund with yen in 1953; repurchase of yen with United States dollars in 1955.

Source: International Monetary Fund, *Balance of Payments Yearbook*, vol. 7, July 1956; based on table 3 of the section on Japan. For details of the numerous qualifications to which the data in this table are subject, see the source cited.

Japan's official holdings of sterling exchange have been much smaller than its official holdings of dollar exchange; in 1952 Japan held the equivalent of 249 million dollars in sterling exchange and in 1955, 259 million dollars; by June 30, 1956, its holdings of sterling had declined to 208 million dollars. Japan's holdings of currencies of the countries with which it has bilateral (open account) transactions amounted to 122 million dollars in 1952, 245 million dollars in 1955, and 246 million dollars on June 30, 1956.

On the whole, Japan's system of trade and exchange controls is simple. The country has a single-currency system, with a par value for its currency of 360 yen per United States dollar. It imposes no quantitative restrictions, as such, on imports, but its exchange restrictions are used to limit imports by type, value, quantity, and geographic source of supply. It requires individual licenses for virtually all imports, but grants them freely for goods that are regarded as essential to the national economy, such as foodstuffs, raw materials, and certain machinery and equipment. Japan sets up an exchange budget for most authorized imports and allocates exchange according to its availability. Imports admitted under the exchange-allocation system require an allocation of foreign exchange appropriate to the designated source and currency of settlement; such imports are licensed automatically upon application by holders of exchange-allocation certificates. Import licenses are also granted automatically to holders of exchange-allocation certificates under Japan's system of global quotas; use of the exchange under this system is not restricted to any particular country or currency. Japan also has an automatic-approval system, under which it issues licenses freely on application for the importation of specified commodities, provided unused amounts of budgeted exchange are available.

Japan's settlements of transactions in merchandise and invisibles are made in various ways, depending on the country or countries involved. With countries of the sterling area and a few other countries, settlements are made in sterling on a cash basis. Under a payments agreement with West Germany, settlements are made in deutschemarks, sterling, or other currencies agreed upon by Japan and West Germany. Japan has agreements with a number of countries, under which settlements are made on a strictly bilateral basis through open accounts, expressed in accounting dollars.[54]

[54] As of December 31, 1955, the open-account countries were Argentina, Brazil, Egypt, Finland, Formosa, the French monetary area, Greece, Indonesia, Korea, the Netherlands monetary area, the Philippines, Sweden, Thailand, and Turkey. During the first half of 1956, Sweden, Thailand, and Argentina ceased to be open-account countries when arrangements were made by Japan for conducting trade with them on a cash basis; the open-account agreement with Italy was terminated in October 1956, and settlements with Italy were shifted to a cash basis. Under open-account trade settlements, the exchange transfers are effected only when bilateral accounts exceed specified limits; thus, most of the credits balance out, and relatively little cash is required.

United States dollars are used for settlements with all other countries, except that settlements with Canada and Switzerland may be made in their respective currencies. United States dollars may also be used partially or wholly in payment for Japanese exports to the sterling area, West Germany, and open-account countries if the importing country elects to make settlements in this way.

The extremely weak external financial position of Japan after World War II and the crisis in its payments position in 1953, after the collapse of the boom that had developed during the Korean conflict, led to a cautious policy of restricting imports and seeking to expand exports through strictly bilateral agreements. During these years Japan relied on bilateral arrangements with individual countries to open up new export markets, to prevent a deterioration of its foreign-exchange reserves, and to avoid a heavily unbalanced surplus position with countries that, because of such imbalance, might be inclined to apply discriminatory import restrictions to Japanese goods. With the great improvement in the external financial position of Japan and its increased capacity and willingness to conduct trade on a multilateral basis, however, the need for bilateral arrangements has become less pressing. Moreover, as more and more countries shift from bilateralism to multilateralism—in such multilateral arrangements as the Hague Club and the Paris Club—those that continue to rely on the bilateral approach find the marketing of their goods increasingly difficult. Since most of the countries with which Japan now conducts the bulk of its trade have ceased to rely on bilateralism, Japan has been under increasing pressure to adopt the multilateral approach. During 1955–56 Japan shifted its bilateral open-account payments agreements with a number of countries to a cash basis—for example, to sterling and/or United States dollars with Thailand, to sterling and/or deutschemarks with West Germany, and to sterling and/or kroner with Sweden. This shift to cash settlements in which the emphasis is on sterling payments—a shift which coincided with a substantial increase in Japan's import-trade balance with the sterling area—resulted in a considerable decline in Japan's official holdings of sterling reserves during 1956. Because Japan was unable to persuade the sterling area to accept imports of Japanese goods in excess of the amounts governed by the existing trade agreement with the sterling area, it was unable to build up its sterling reserves by this method. Its multilateral position had been strengthened, however, by the large increase in its holdings of fully convertible currencies, especially dollars. As a result, Japan was in a position to build up its reserves of sterling, and also of other currencies with limited convertibility, by purchasing them with dollars.

With the increase in its foreign-exchange reserves and the improvement in its external financial position, Japan was able—during the period covered by this report—to increase the amount of foreign exchange allocated for imports in its semiannual exchange budget, and to ease its exchange controls somewhat. Japan increased its import budget for the second half of the 1955 fiscal year (October 1955–March 1956), and again for the first half of the 1956 fiscal year (April through September). The first of these two budgets allocated 1,314 million dollars (equivalent) for merchandise imports and 274 million dollars for invisible imports. The second of the two budgets allocated 1,543 million dollars for merchandise imports and 344 million dollars for invisible imports. In October 1955 Japan increased from 360 to 457 the number of commodities that were eligible for importation under the automatic-approval system, that is, without quantitative limitation, although within the limits of budgeted exchange. In addition, Japan had earlier relaxed its restrictions by permitting trading firms to retain part of their foreign-exchange proceeds for their own use,[55] and by abolishing the Government's guaranty of foreign exchange deposited with foreign banks.

Japan's control over exports—aside from customary export controls of the type found in other countries[56]—is of unusual importance because Japan utilizes such control to restrict shipments of certain textile goods and other products to certain countries as an alternative to facing restrictive import action by those countries. Action by Japan in 1955–56 in voluntarily limiting the exportation of certain commodities to the United States is an outstanding feature of Japan's recent commercial policy.

Early in 1956 a United States trade mission to Japan pointed out that it would be in the interest of Japan and United States-Japanese relations if Japanese producers would voluntarily restrict their exports to the United States. Although exports of Japanese textiles to the United States were the principal cause of United States concern, a similar problem was created by large-scale shipments of Japanese clothing, plywood, tunafish, and other commodities similar to those produced in the United States.[57]

[55] Under the "special foreign exchange allocation system" established in August 1953, all Japanese exporters were permitted to retain 10 percent of their export proceeds; effective in March 1955 the share was reduced to 5 percent.

[56] Japan requires the registration of all exports with an authorized bank, in order to enforce its requirements for the prescription of foreign currency and surrender of the proceeds. Individual export licenses are required for goods in short supply in the domestic market; imported goods; strategic materials; goods on the list of prohibited exports; goods exported by transshipment or under consignment, processing, or compensation contracts; and gold alloy in bullion form.

[57] A report of the 1956 United States Trade Mission to Japan states in part as follows:

> . . . Whenever an item begins to sell well in the United States, Japanese producers and exporters tend to "jump on the bandwagon" and concentrate their efforts on that one item. The result is frequently a phenomenal increase in shipments of that item to the United States, and a consequent reaction by American firms producing similar items.
>
> This has been true of the so-called "dollar" blouses, which increased more than twentyfold between 1954 and 1955. In advising Japanese businessmen on this point, the mission pointed out that while imports of Japanese cotton textiles

Even before the spring of 1956 Japan had begun to take voluntary action to restrict exports of textiles and certain other commodities to the United States and other countries. Effective in November 1955, the Japanese Plywood Exporters' Association established an export quota for shipment of lauan, sen, and birch plywood to North America, the United Kingdom, and Ireland. Later, the Japanese Government extended the quota limitations to all exporters of plywood, including members and nonmembers of the association. The quotas represented a considerable reduction in Japan's exports of plywood for the quota period, which covered the last quarter of 1955 and the first quarter of 1956. In taking this voluntary action, the Japanese plywood producers and the Government hoped to avoid charges of "dumping" plywood in the United States and other markets, and to prevent the adoption of restrictive import measures for the protection of those markets.

Exports of sewing machines made in Japan also are regulated by an association of manufacturers and exporters. Export quotas for these machines are primarily export targets, with special incentives for exporters to increase their foreign shipments. However, the system could be used to restrict exports to certain markets in the same way and for the same reason that exports of plywood and textiles have been restricted.

Also effective in November 1955, Japan first placed limitations on exports to the United States of grey cloth, bleached cloth, velveteens, and corduroy; 2 weeks later it extended the restrictions to embrace all cotton fabrics. These restrictions were not on a quota basis, but were effected by withholding export validation; the use of export quotas came later. The Japanese Made-Up Goods Association had already placed export limitations on cotton blouses, but there were no similar restrictions on exports of other wearing apparel. These various steps represented interim export limitations until the Japanese textile industry could conclude studies regarding future measures that might be taken to counteract protests in the United States over the then current level of imports of Japanese textiles.[58]

and clothing amounted in the aggregate to 2 percent of American consumption, particular items, such as blouses, corduroy, gingham, and velveteen, so far exceeded this average figure as to constitute a serious threat to the existence of the American industries concerned. It was explained to the Japanese that if exports, not only of cotton goods but of all types of products, could be diversified, so that the impact would be distributed throughout the numerous items and price levels which find acceptance in the United States, then it should be possible for Japanese exports to grow steadily with the natural increase of the American market and at the same time avoid undue pressure on American-made products. (*Foreign Commerce Weekly,* May 21, 1956, p. 10.)

[58] In an exchange of notes between the Japanese and the United States Governments in April 1956, Japan protested against a law passed in South Carolina in March 1956 which requires all wholesale and retail establishments in the State dealing in Japanese textile goods or garments made therefrom to display a sign "Japanese Textiles Sold Here." The Japanese note stated that this legislation discriminates against the sale

Effective January 1, 1956, Japan established calendar-year quotas for exports of cotton fabrics and certain textile made-up goods to the United States. The export quota for fabrics was set at 150 million square yards, and that for women's blouses, at 2.5 million dozen. No export quotas were established for other made-up goods, such as underwear, outerwear, pillowcases, bed sheets, and woolen cardigans. Exports of these articles were to be controlled for the time being by use of the Government's licensing authority and its export-contract validation. No quotas were established for exports to markets other than the United States.

Japan's decision to restrict exports of textiles and other products to the United States—as spokesmen for the Japanese cotton-textile industry pointed out—was a step that affects not only exports of cotton goods but also the overall export policy of the country. Japan has repeatedly emphasized that expansion of exports is an essential and central feature of its foreign-trade policy, and that any curtailment of exports will inevitably result in a curtailment of imports. Japan is the largest single market for United States raw cotton and hopes to be able to continue to purchase such cotton on the present scale.[59] Since 1951, the Export-Import Bank of Washington has authorized a total of five credits to the Bank of Japan to finance the sale and export to Japan of United States cotton. The latest credit, granted in August 1955, was for 60 million dollars, which brought the total credits granted to Japan to 260 million dollars.

In February 1956 the United States Government signed a second agreement with Japan for the sale of surplus farm products. The first agreement, made in 1954, involved the purchase by Japan of United States commodities valued at 85 million dollars. The second agreement involved the purchase by Japan of not more than 65.8 million dollars' worth of United States wheat, barley, corn, and other food grains; cotton; and leaf tobacco. About one-fourth of the proceeds in yen realized from the sale of these products is

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of Japanese textile goods in South Carolina, and that such discrimination is in contravention of the Treaty of Friendship, Commerce, and Navigation between Japan and the United States, which provides that products of either party shall be accorded, within the territories of the other party, national treatment and most-favored-nation treatment in all matters affecting internal taxation, sale, distribution, storage, and use. In its reply the Government of the United States informed the Japanese Government that it was forwarding an expression of concern to the Governor of South Carolina regarding the legislation relating to Japanese textiles, and that with respect to the South Carolina law the United States must depend upon proceedings brought by interested parties in appropriate courts to uphold the validity of the Treaty of Friendship, Commerce, and Navigation.

[59] Raw cotton is Japan's chief import; in the first half of 1956 it constituted about 16 percent of total Japanese imports. Of the total exchange which Japan allocated for cotton imports for the period April 1, 1956–March 31, 1957, 58 percent was allocated for cotton from the United States and Mexico.

for use by the United States in financing its activities in Japan.[60] The remainder of the yen proceeds will be lent to the Japanese Government for investment in agriculture, electric power, and other programs of economic development. In addition, the United States granted Japan more than 11 million dollars' worth of wheat and skimmed milk for use in the Japanese school-lunch program.

With respect to classifications and rates of duty, Japan's import tariff was substantially the same in 1955 as it was in 1951, when the first postwar tariff was adopted. In addition to the column of general rates of duty, the tariff now contains a new column for conventional rates in which are recorded the concession rates established under the General Agreement on Tariffs and Trade.[61] In 1951 all duties in the tariff were on an ad valorem basis, and the Japanese tariff is still on an ad valorem basis except for some specific duties on motion-picture films. Many items are free of duty. The ad valorem rates range from 5 percent to 50 percent.[62] The general rates of duty were higher in 1955 than in 1951 on sugar, molasses, confectionery, jams and jellies, carbon black, and a few other items. Duties were lower in 1955 than in 1951 only on items on which duties were reduced in the General Agreement. Japan follows the practice of temporarily suspending or reducing its general rates of duty. In 1955, duties were suspended until March 31, 1956, on rice, barley, wheat, soya beans, petroleum coke, certain steel sheets, aircraft, hemlock and certain other woods, and a few other articles. Temporary reductions in duty were specified until the same date for certain hydrocarbon oils, certain dyes, carbon black, certain printing paper, and a few other articles.

Japan's highest duties—those of 40 percent and 50 percent ad valorem—apply to such luxury articles as confectionery; jams; jellies; beer; wine; alcoholic liquors; tanned fur skins; certain manufactures of fur; cosmetics and perfumes; toilet preparations; playing cards; jewelry; certain types of cameras and phonographs; toys; and embroidered materials, belts, and other articles combined with precious metals. Rates of 20 to 35 percent ad valorem are common for manufactured goods of the kind produced in Japan (or the production of which it seeks to encourage), such as plastics, synthetic resins, most clothing items and accessories, watches, television sets, automo-

[60] About half the yen funds of 16.4 million dollars thus allocated is for use for United States procurement of goods and services for defense purposes, about one-third for offshore procurement, and the remainder for the exploration of markets for United States farm products, for educational interchange, and for payment of United States liabilities to Japan.

[61] For a discussion of Japan's concessions under the General Agreement, see ch. 3.

[62] The only ad valorem rate higher than 50 percent is that on tobacco, which is 355 percent. Since the Japanese Government has a monopoly of the importation and distribution of tobacco, this rate is intended to apply only to private imports in excess of duty-free allowances.

biles, and certain types of machinery. Duty-free treatment and the lower rates of duty—such as 5, 10, and 15 percent ad valorem—apply to a large number of plants, live animals, foodstuffs, drugs, chemicals, and paper and paper products, and to most raw materials.

Paraguay

Effective March 1, 1956, Paraguay changed the par value of its currency from 21 guaranies to 60 guaranies per United States dollar, and simplified its multiple-exchange-rate system. The new par value applies to all export receipts, to receipts and transfers involving certain services, and to all Government transactions. It also applies to all essential imports, but not to nonessential imports; on the latter a temporary exchange surcharge is levied at the rate of 25 guaranies per United States dollar. The existing free foreign-exchange market is retained for capital transactions and services to which the official market rate is not applicable.

Simplification of the Paraguayan exchange system resulted from the elimination of a large number of exchange rates for both exports and imports. Of particular significance was Paraguay's decision to remove exchange-rate discrimination among foreign currencies. The old exchange system had favored the currencies of payments-agreement countries and had penalized currencies that were convertible. Under the old system, imports were not only divided into several categories (as they still are), but a higher set of rates applied to import payments in United States dollars, pounds sterling, Swiss francs, deutschemarks, and Belgian francs, and a lower set to payments in other currencies. The removal of discrimination among foreign currencies equalized conditions under which the United States must compete with other supplying countries in Paraguay's import trade. This does not mean, however, that Paraguay will cease to discriminate against dollar imports in other ways as long as it continues to feel the necessity of restricting such imports in order to conserve dollar exchange.

Imports into Paraguay are controlled by requiring importers to conclude an exchange contract with the Central Bank before the goods may enter the country; this contract has the effect of an import and exchange license. Paraguay accompanied its exchange reform with plans for a broad program of economic stabilization through the use of monetary, credit, and fiscal measures. New measures were adopted in March 1956 to encourage the investment of foreign capital in the country; these measures included exemption from customs duty of capital brought into the country in the form of machinery, equipment, and materials.

Peru

For some time Peru has pursued a policy favorable to free enterprise by minimizing economic restrictions and controls on both domestic and foreign business. It maintains no quantitative restrictions on imports—except for automobiles, which are admitted on a quota basis—and applies no licensing system or other controls to payments for imports. The Peruvian multiple-exchange-rate system is simple; there are two free fluctuating-market exchange rates—an exchange-certificate-market rate and a draft-market rate—and importers may purchase exchange at either of these rates to pay for imports. Proceeds from exports must be converted in whole or in part into exchange certificates. These certificates—which are denominated only in United States dollars, pounds sterling, and Argentine pesos—are negotiable, and may be used for most import transactions. Payments in other currencies are effected at the draft- or free-market rate, or by converting certificate currency into whatever other currency is desired.

In 1955–56, as in 1954–55,[63] Peru made numerous changes in its tariff rates. Effective October 1, 1955, the import duties were substantially increased on a number of cotton and artificial textile fabrics.[64] Some months later the specific rates of duty were likewise substantially increased on a number of woolen textiles and on various preserved food products. Peru also increased the duties on a few articles on which it had negotiated releases from its concessions under the General Agreement on Tariffs and Trade; these articles included certain iron and steel pipe and certain small rope. Peru granted a temporary duty exemption for imports of portland cement, and reduced the duty on two types of pyroxylin solvents.

Uruguay

Uruguay requires licenses for virtually all imports and establishes global exchange quotas for various currencies according to their availability. Shortage of foreign exchange has been a chronic condition in Uruguay. The Government has undertaken to meet this situation by import quotas and artificially high selling rates for foreign exchange and by subsidizing exports. In September 1955 Uruguay authorized subsidy payments—by establishing temporary premiums above the regular buying rates for foreign exchange—for exports of greasy and washed wool for the remainder of 1955 and the first half of 1956. In December 1955 it similarly provided for exports of wool tops during specified periods. In January 1956, in an effort to facilitate sales of surplus hides, the Government increased the rate of exchange payable on proceeds from exports of dry cattle hides. It also established export quotas for dressed beef and mutton at new and more favorable exchange rates. The premiums on exports of wool were credited with causing a sharp increase in sales of wool to the United States; the

[63] See *Operation of the Trade Agreements Program* (eighth report), p. 174.

[64] Because of shipping delays resulting from a dock strike in the United States, Peru granted temporary exemptions from the duty increases.

increased sales, in turn, resulted in a substantial increase in Uruguay's net gold and dollar reserves.

The action of Uruguay with respect to imports was in part the direct result of establishing export premiums, in that it increased the exchange rates for most imports to finance the premiums. Virtually all imports are subject to a 6-percent exchange tax. The country's global quotas for imports, which are determined periodically, are distributed by establishing an individual exchange allocation for each importer and by issuing import licenses up to the limit of each quota. In January 1956, for example, Uruguay established an import quota in free dollars for the purchase of drugs and chemicals in the United States or Canada. However, most of the exchange allocations at that time stipulated that the purchases must be made in inconvertible currencies.

Since 1950, exports from Uruguay to the United States have greatly declined, while its imports from this country have remained relatively stable. In 1955 its imports from the United States far exceeded its exports to the United States. A considerable volume of its dollar imports had been due to the operation of switch transactions—that is, shifts from imports stipulated as payable in inconvertible currencies to those stipulated as payable in dollars. Such transactions were made possible because exchange quotas for dollar goods were not necessarily given in dollars; they were sometimes given in inconvertible currencies if there was a surplus of the latter. Thus, by permitting switch transactions Uruguay made possible the importation of dollar goods that would not otherwise have occurred. Early in 1956, however, with a view to reducing the volume of dollar goods obtained in this way, Uruguay prohibited the use of switch transactions for imports chargeable to license allocations made to a number of countries with which it has bilateral agreements; the countries were Argentina, Austria, Brazil, Czechoslovakia, Finland, East Germany, Greece, Hungary, Italy, Paraguay, Poland, Switzerland, Turkey, and Yugoslavia.[65] The order prohibiting switch transactions did not stipulate that merchandise imported under a specific permit from one of these countries must originate in that country, but only that it must be shipped from there. United States exporters would still be able to ship their goods to one of these countries, from which the goods could be reexported on that country's Uruguayan import permit—an operation so much more costly to importers than the simple switch transaction that it would accomplish Uruguay's purpose of reducing dollar imports.

DOLLAR COUNTRIES

The dollar countries with which the United States had trade agreements in force during all or part of the period July 1, 1955, to June 30, 1956,

[65] Uruguay had previously prohibited switch operations that would result in increased imports from the Soviet Union, Japan, and Sweden.

are Canada, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, and Venezuela. The agreements with Ecuador, El Salvador, Guatemala, Honduras, and Venezuela were on a bilateral basis. The other five countries were contracting parties to the General Agreement on Tariffs and Trade. Effective October 15, 1955, the 1936 bilateral trade agreement between the United States and Guatemala was terminated by mutual consent. The bilateral agreement with Ecuador was originally scheduled for termination on January 18, 1956, but the termination was postponed until July 17, 1956.[66]

Inasmuch as the 10 countries named above have convertible currencies—and are therefore hard-currency or "dollar" countries [67]—they have no need, for balance-of-payments reasons, to employ quantitative restrictions or exchange controls to limit imports from any source. Nevertheless, some of these dollar countries do resort to quantitative restrictions on imports. They do this either for protectionist reasons or because they believe that such restrictions are necessary to maintain a closer equilibrium in their foreign balances than would exist without such restrictions.

Eight of the ten countries named above—all except Ecuador and Nicaragua—are classified as "article VIII" countries by the International Monetary Fund. This classification means that these eight countries (together with the United States, Mexico, and Panama) have accepted sections 2, 3, and 4 of article VIII of the Fund Agreement, which requires the avoidance of restrictions on current payments, the avoidance of discriminatory currency practices, and the convertibility of foreign-held balances. Members of the Fund that are not "article VIII" countries are known as "article XIV" countries.[68] These countries are not bound by the obligations of article VIII. They are permitted by the Fund Agreement—during a transitional period—to apply restrictions on current payments and to employ discriminatory currency practices. They are not required to maintain convertibility of foreign-held balances.

Ecuador, Nicaragua, and Venezuela

Because Ecuador and Nicaragua are classified as article XIV countries by the International Monetary Fund, because Venezuela is officially in this category although it is considered as substantially fulfilling the obligations of article VIII, and because these 3 countries operate multiple-exchange-rate

[66] For a discussion of the termination of the trade agreements with Guatemala and Ecuador, see ch. 4.

[67] Other countries that are generally considered as belonging to the dollar area, but with which the United States has no trade agreements, are Bolivia, Colombia, Costa Rica, Liberia, Mexico, Nicaragua, Panama, and the Philippines.

[68] These include all countries, other than article VIII countries, with which the United States has trade agreements except Argentina, New Zealand, and Switzerland, which were not members of the Fund during the period covered by this report.

systems, they must be regarded in a somewhat different light from the 7 other dollar countries with respect to the operation of the trade agreements program. Nicaragua is a contracting party to the General Agreement on Tariffs and Trade, and Ecuador[69] and Venezuela are parties to bilateral agreements with the United States. All 3 countries belong to the relatively small group of trade-agreement countries that have convertible currencies and that, for this reason, have no ground for imposing quantitative import restrictions for balance-of-payments reasons.

Both Ecuador and Nicaragua are in the article XIV group partly because they operate multiple-exchange-rate systems, which in themselves imply the existence of discriminatory currency practices. Ecuador's official rate of exchange applies to most exports and to essential and semiessential imports. Higher rates apply to certain minor exports and to imports of luxury and nonessential goods. The Ecuadoran exchange-rate system is further complicated by "mixing" arrangements for the exchange proceeds from exports of bananas, rice, chemical products, and medicines.

Nicaragua's exchange-rate system was considerably simplified in July 1955. With the concurrence of the International Monetary Fund, the par value of the country's currency was changed from 5 cordobas to 7 cordobas per United States dollar. At the same time, Nicaragua eliminated exchange surcharges, a preferential selling rate for foreign exchange, and an exchange tax on payments for some invisibles. In Nicaragua, incoming and outgoing payments normally are made in United States dollars, and there is no prescription of currency—that is, there are no requirements affecting the selection of the currency and the method of settlement for transactions with other countries.[70]

In Ecuador, exchange proceeds must be received in United States dollars, at least in principle. Ecuador has bilateral agreements with a few countries that require payment through special accounts denominated in United States dollars at the central banks of the agreement countries. Thus, as regards the prescription of currencies and freedom from exchange control, Nicaragua follows the practice of article VIII countries, and Ecuador is substantially in this category. Nicaragua has no prohibitions or quantitative restrictions on imports. All imports are subject to license, but licenses are issued automatically. Ecuador lists all permitted imports in two categories—essential and semiessential, and nonessential and luxury; goods not included in these import categories are prohibited.[71] Some of the prohibitions are temporarily

[69] The bilateral trade agreement with Ecuador was terminated by the United States on July 17, 1956.

[70] The absence, or virtual absence, of obligations imposed on importers, exporters, or others prescribing the method or currency of payments to or from persons abroad is one of the characteristics of article VIII countries.

[71] Ecuador prohibits the importation of specified luxury items, including a variety of textiles, garments, hosiery, silverware, glassware, aluminum ware, toys, certain

imposed to force an improvement in the country's balance-of-payments position. Virtually all imports into Ecuador other than those of certain foreign companies and those representing foreign loans are subject to prior import license, but licenses are issued freely for most permitted imports.

Venezuela—like Ecuador and Nicaragua, but unlike the other dollar countries here considered—has a multiple-exchange-rate system, and it has not notified the Fund that it is prepared to accept the obligations of article VIII of the Fund Agreement. Nevertheless, the Fund does not consider that Venezuela applies exchange restrictions in such a way as to place it in the article XIV category, and therefore regards it as essentially an article VIII country. Venezuela's exchange-control regulations are intended primarily to insure that the different exchange rates are applied to the goods for which they are intended. As of December 31, 1955, Venezuela's multiple-exchange-rate system comprised preferential rates for Government imports and for the proceeds from exports of coffee and cacao, and special buying rates for purchases of exchange from the petroleum companies. Venezuela has no requirements in force for the prescription of currency. It applies a few import restrictions; certain articles are subject to import licensing, and a few commodities are subject to import quotas for protectionist reasons.

During the period covered by this report, Ecuador and Nicaragua adopted new tariff schedules, but Venezuela made no significant tariff changes. Ecuador makes frequent changes in its import duties and other charges on imports; most of the changes in 1955-56 were increases. In March 1956, Ecuador established a completely new tariff schedule in which the duties—a combination of specific and ad valorem rates for each item—were generally increased. As pointed out in the Commission's 1954–55 report,[72] the United States has repeatedly protested to Ecuador regarding the numerous violations by that country of the 1938 bilateral trade agreement between it and the United States. Most of the violations consisted of increasing the import duties or other charges on articles on which Ecuador had granted concessions in the agreement. Ecuador has insisted on increasing many of its duties for protectionist reasons, regardless of its obligations under the trade agreement. The many violations resulting from this practice were the chief reason that the United States notified Ecuador of its intention to terminate the agreement.

Nicaragua also adopted a new import tariff during the period covered by

leather goods, porcelains, flour, certain fresh and canned fruits and vegetables, canned meat and fish, other prepared foods, confectionery, matches, and numerous other consumer goods. It also prohibits the importation of certain items that are competitive with domestically produced goods, such as some types of furniture, soap, postcards, bricks, tiles, and glassware. From time to time, Ecuador temporarily suspends imports of certain goods, such as automobiles, radios and record players, pianos, whisky and other hard liquors, and toilet preparations.

[72] See *Operation of the Trade Agreements Program* (eighth report), pp. 177–179.

this report. That tariff, which became effective July 1, 1955, was the first complete revision of the Nicaraguan tariff since 1918. The old tariff was single-column, with most duties on a specific basis. The new tariff has two columns—one of general rates and one of concession rates. Most items in the new tariff are subject to compound rates—a specific duty based on weight, plus an ad valorem duty based on the c.i.f. value of the imports. A number of old taxes, totaling about 13 percent ad valorem, which formerly were collected separately, were eliminated or incorporated into the new general-import rates.

Nicaragua's schedule of items on which concessions had been granted under the General Agreement on Tariffs and Trade was not affected by the tariff changes of July 1, 1955. Such items continued to enter at the General Agreement rates plus the old taxes, pending the adoption and approval of a new Nicaraguan schedule of concessions under the General Agreement. The new tariff is designed primarily as a revenue measure, although some of the rates afford protection to domestic industries. The rates of duty are generally low (in some instances they have been suspended) on imports necessary for the development of the country's agriculture and industry, and on essential goods required by the population in the lower income levels. After the new tariff became effective, Nicaragua exempted from duty imports of certain machinery, parts, and accessories and some industrial materials, and reduced the duties on diesel oil and lubricants intended for use by industries possessing specified qualifications. It also reduced the duties on cigars and cigarettes, some paper products, yarns, phonograph records, milk products, rubber articles, motion-picture film, wooden shoe lasts, paper labels, and a number of textile items. In addition, it provided temporary duty-free entry for certain fertilizers and products.

As noted earlier, Venezuela requires licenses for certain imports and applies quotas to a few commodities for protectionist purposes. For some of these imports, licenses are issued only on condition that the importer purchase quantities of domestic products equal to a specified percentage of the desired imports. During the period covered by this report there were no notable changes in this procedure except with respect to woolen fabrics. Effective in November 1955, in order to qualify for import licenses, Venezuelan importers of woolen fabrics were required to purchase 2 meters of domestically manufactured cloth for each meter of fabric of the same class that they imported. This order amended a previous licensing requirement under which importers were to purchase 1 meter of domestically manufactured cloth for each 2 meters of imported cloth. By thus shifting the ratio from 1 unit of domestic cloth for 2 units of foreign cloth, to 2 units of domestic cloth for 1 unit of foreign cloth, Venezuela hoped to provide additional protection for the domestic producers of woolen goods.

Canada, Dominican Republic, El Salvador, Guatemala, Haiti, and Honduras

Under the International Monetary Fund classification, Canada, the Dominican Republic, El Salvador, Guatemala, Haiti, and Honduras are all article VIII countries. These countries have agreed to avoid restrictions on current payments, to avoid discriminatory currency practices, and to freely convert their foreign-held balances. In other words, they exercise no exchange controls. They impose no obligations on importers, exporters, or others with reference to methods of payment or the currency for payment to or from persons resident abroad—except the minor requirement in Haiti that all payments abroad must be made through banks, and the requirement in El Salvador that payments for merchandise transactions with Spain, with which El Salvador has a payments agreement, must be made through special accounts.

The requirement of import licenses or the use of import quotas constitute only minor features of the commercial policies of the six countries listed above. Canada requires import licenses for only a small number of agricultural commodities. With a few exceptions, the Dominican Republic requires no import licenses; the system of exchange licensing that it maintains for statistical purposes is not restrictive. Under a decree of March 1956, however, the Dominican Republic requires permits for imports of barbed wire, staples, treated wood posts, and air-conditioning units; this requirement is designed to provide protection for newly established industries. El Salvador subjects a few imports to regulation, but requires no import licenses. Guatemala regulates the imports of a few special items and levies a customs surcharge of 100 percent on nonessential imports from countries with which it has an unfavorable trade balance of more than 75 percent. Haiti has no general system of quantitative restrictions on imports, although it does apply embargoes—sometimes temporary—on imports of a few commodities, including certain fruits, vegetables, and flowers. Honduras requires import licenses on a few items.

These countries appear to have adhered to their obligations as article VIII countries under the Fund Agreement. Except for Guatemala, they have observed their trade-agreement obligations. As already noted, the 1936 bilateral trade agreement between the United States and Guatemala was terminated by mutual consent on October 15, 1955. For many years the United States had protested certain violations of the agreement by Guatemala;[73] termination of the agreement was the direct result of Guatemala's insistence on taking certain actions contrary to its trade-agreement obligations and of the refusal of the United States to negotiate a new bilateral agreement.

In the virtual absence of legislative measures or administrative actions

[73] See *Operation of the Trade Agreements Program* reports: Eighth report, pp. 179–181; sixth report, pp. 152–154.

limiting imports by quantitative restrictions or by restrictions on the use of foreign exchange, tariff duties or other charges on imports represent the decisive factor in the control of imports by these six countries. The Canadian tariff is designed to protect a wide variety of products, particularly manufactured goods. The tariffs of the Dominican Republic, El Salvador, Haiti, and Honduras are primarily revenue measures, although there has been an increasing tendency in recent years to make the tariffs more protective. Since these countries are heavily dependent on imports of manufactured goods, there is always strong resistance from domestic business groups to rates of duty that involve more than revenue considerations, as, for example, in Honduras.

In April 1955 Honduras placed in effect a completely revised tariff that was designed to increase Government revenues and to curtail imports of commodities regarded as nonessential. The new tariff was represented as a measure to improve the country's balance-of-payments position, which had deteriorated because of lower coffee prices and reduced exports of bananas and gold.[74] In July 1955, partly because Honduran businessmen protested against many of the increased rates of duty in the new tariff and partly because the decline in business activity was attributed principally to the effects of the new tariff and the establishment of credit restrictions, Honduras reduced the duties on a substantial number of articles. Those on which duties were reduced included evaporated and dried milk, cigarettes, insecticides, fungicides, cement, tinplate, radios, phonographs, electric irons, electric washers, cameras, watches, and refrigerators. At the same time Honduras increased the duties on a number of articles, including toilet soap, rubber soles and heels, bicycles, and air-conditioning equipment. Honduras has wanted for some time to renegotiate its bilateral trade agreement with the United States in order to increase a number of duties now bound against increase in the agreement. The United States has expressed a willingness to renegotiate the agreement rates within the framework of the General Agreement on Tariffs and Trade, but Honduras has been unwilling to negotiate for accession to the General Agreement.

During 1955–56 the Dominican Republic exempted some textiles and a few other articles from all duties and taxes; El Salvador reduced the duties on a few articles and increased them on some others; and Haiti reduced the duties on a number of luxury products imported primarily for the tourist trade.

Canada's tariff changes, particularly those made at the administrative level, are of special interest to the United States not only because they generally affect United States products, but also because of the manner in which some changes are made and the increasing frequency with which Canada resorts to the application of "made in Canada" rulings and dumping duties.

[74] See *Operation of the Trade Agreements Program* (eighth report), pp. 181–182.

Under the provisions of the Canadian customs tariff, low rates of duty or free entry are prescribed for articles "of a class or kind not made or produced in Canada."[75] The tariff act provides that goods shall not be deemed to be of a class or kind made or produced in Canada unless produced in substantial quantities; an Order-in-Council of 1936 ruled that an article shall not be deemed to be of a class or kind made or produced in Canada unless the domestic production will supply at least 10 percent of the normal Canadian consumption of the article in question. Under this ruling, imported goods found to be of a class or kind made or produced in Canada become subject to higher rates of duty if the tariff specifically provides for such rates. If there is no such provision, the duty remains unchanged. Under Canada's system of dumping duties, however, higher rates of duty may be imposed on articles that have been administratively ruled to be of a class or kind made or produced in Canada, but for which higher rates are not specified in the tariff. Provision is made for imposing dumping duties on imported goods of a class or kind made or produced in Canada if they are sold for export to Canada at a price less than the fair market value. Goods found to be of a class or kind not made or produced in Canada may also be made subject to dumping duties.

During the period covered by this report Canada made a number of rulings that goods were of a kind made or produced in Canada. Commodities covered by these rulings included certain nylon twines, ropes, and nets; testers for measuring unevenness in yarns; certain machines used in the baking industry; certain stainless-steel sheets; a number of chemicals and synthetic resins; certain edible gelatins; certain types of air conditioners; locomotive cranes of a certain lifting capacity; and certain metal ovens and dust collectors. As a result of these decisions, the items became subject to higher duties. Canada also ruled that certain other goods were of a class or kind not made or produced in Canada, and therefore were not eligible for higher duties; for some goods the duties were reduced. The items found to be of a class or kind not made or produced in Canada included certain plating machines, certain types of gears, caffeine and certain chemicals and cresols, and certain hinge assemblies. Certain bathroom fixtures were exempted from dumping duties for a period of 6 months from May 3, 1956.

Private studies, newspaper comments, and other unofficial sources in Canada indicate that there is widespread opinion that Canadian antidumping laws and "made in Canada" rulings are used to afford protection—particularly with respect to United States products—to domestic industries and agricultural interests beyond the nominal intent of the pertinent laws and regulations. Although final decision with respect to granting or not granting increases of duty under these laws is largely a matter of administrative dis-

[75] See *Operation of the Trade Agreements Program* (eighth report), pp. 176–177.

cretion, it is often alleged that pressure from Canadian producers for increased protection is sometimes an important factor in obtaining rulings favorable to their interests. On the other hand, pressure from importers sometimes is a factor working against the use of antidumping laws and "made in Canada" regulations for purely protectionist purposes.

The Canadian budget for 1956–57, as presented in March 1956, made a few changes in tariff rates. For example, import duties were reduced on harpsichords and certain steel-wire netting and steel wall sections, and free entry was provided for belts and belting, bolts, chains, pulleys, and some other items for use with various farm implements and machinery already on the free list.

Cuba

During the period covered by this report the only significant changes in the Cuban tariff were those that resulted from the article XXVIII negotiations with the United States in 1955 and the limited tariff negotiations with the United States at Geneva in 1956.[76] Exchange-control restrictions have not actually been applied to import transactions[77] by the Cuban Currency Stabilization Fund since that agency was reorganized in 1948. Moreover, Cuba maintains only a few quantitative import restrictions. Import quotas on henequen and sisal fibers are being applied pursuant to the approval of the Contracting Parties to the General Agreement. Restrictions on imports of rice are related to the tariff quota provided under the General Agreement; imports of wheat and wheat flour are restricted pursuant to commitments under the International Wheat Agreement. Other commodities for which import permits are required are potatoes, red and pink beans, butter, condensed milk, and tires and tubes. Imports into Cuba of textile fabrics and related articles are subject to supervision; a special consular invoice is required and the foreign exporter is also required to register at the Cuban consulate at the port of shipment.

Since the General Agreement became effective in 1948, the United States and Cuba have frequently carried on negotiations and engaged in discussions regarding certain matters connected with Cuba's commitments under the General Agreement. Since these problems are of interest primarily to the United States and Cuba, the Contracting Parties have been disposed to allow the two countries to work out solutions that are mutually satisfactory to them.

During the discussions regarding United States–Cuban economic and commercial relations that took place in Washington in November 1954, the delegations of the two countries reached a general understanding with respect to the actions to be taken on a number of matters affecting United States–

[76] For a discussion of these negotiations, see ch. 3.

[77] Other than those under bilateral trade and payments agreements with France and Spain.

Cuban trade. At that time, the United States delegation discussed the difficulties attending the operation of the United States–Cuban rice agreement, as well as a number of problems relating to several Cuban commitments under the General Agreement. These issues had been the subject of repeated representations on the part of the United States, and of frequent and lengthy discussions and negotiations between the two countries. A summary statement of these problems, as they stood at the end of June 1954, was included in the Tariff Commission's seventh report on the operation of the trade agreements program.[78]

During the discussions of the rice problem, Cuba confirmed its policy of continuing to develop Cuban rice production as a part of its program of agricultural diversification. It assured the United States that development of the Cuban rice industry was being carried out within the framework of Cuba's international obligations, and that Cuba's policy was to accord preference to the United States on any rice that was imported. On the other hand, Cuba called attention to its difficulties in complying with all the procedures outlined in the December 1952 exchange of notes between the United States and Cuba. It suggested that the provisions for administering the annual low-duty rice quotas be revised to meet changed conditions that had arisen from increased Cuban production of rice and from other factors, including the decline in consumption of rice that had resulted from widespread unemployment in Cuba. The United States agreed to engage in discussions for the purpose of considering what revision should be made in the procedures that had been agreed upon in 1952.

Bilateral discussions concerning this matter took place in Havana during February and May 1955, and were concluded with an exchange of notes on June 13, 1955, setting forth the new procedures (effective July 1, 1955) for the administration of the Cuban tariff quota on imports of rice. Under the new arrangement a formula is no longer used for determining the quantity of imports of rice to be admitted in any given year in addition to the basic annual tariff quota; imports of rice under the basic tariff quota and also under the deficit tariff quota (should such deficit imports be needed to meet Cuban rice requirements) are to be governed by "the official internal regulations in force in Cuba." Rice imported from the United States under the two quotas continues to be subject to the concession rate of duty negotiated at Geneva in 1947.

The opening of the first full rice-quota year under the new arrangement (July 1, 1955–June 30, 1956) coincided with a steady increase in Cuban imports (or contracts for imports) of rice consisting principally or entirely

[78] *Operation of the Trade Agreements Program* (seventh report), pp. 198–201. Two of the matters that were pending at the time the Commission's seventh report was prepared were satisfactorily settled early in 1955, namely, the special tax on imported steel reinforcing bars and the problems relating to the tariff reclassification of plastic hose.

of broken kernels. Such rice was selling at prices considerably lower than those for imported rice of standard quality, but at prices directly competitive with those for certain types of locally produced rice, of which there was a surplus. The resulting difficulties of Cuban rice growers, millers, and merchants prompted the Government to supplement its quota controls on rice with additional restrictive measures. The principal provisions of the new regulations were as follows:[79] (1) Establishment of quarterly (but unequal) divisions of the basic annual tariff quota of 3,250,000 quintals (or approximately 3,295,910 bags of 100 pounds each) specified in a note to the Cuban schedule of the General Agreement, and of quarterly allotments to the individual importers; (2) prohibition, ultimately, of imports of any rice containing in excess of 30 percent broken kernels; and (3) deferment of entries into consumption channels to the second and third quarters of that quota year (that is, to October-December 1955, and January-March 1956, respectively) of rice containing more than 30 percent broken grain, on condition that the purchase contracts for such rice had been entered into and financially confirmed before June 29, 1955, and had been presented for official registration before July 1, 1955, and that they covered rice of certified quality standards.[80]

In adopting the restrictions on imports of rice, Cuba invoked the provisions of article XI of the General Agreement, which permit import prohibitions or restrictions "necessary to the application of standards or regulations for the classification, grading or marketing of commodities in international trade." The United States, which did not agree with the Cuban position, pointed out that this exception in the General Agreement was not intended to provide protection for a domestic industry or segment of industry. It expressed the belief that the problem with respect to imports of broken rice was essentially an internal one, and did not justify the imposition of prohibitions or restrictions on international trade. The United States also objected to the quarterly division of the annual low-tariff rice quota on the ground that eventually it would impair the duty concession on rice by periodic impositions of a higher duty or import prohibition. In the informal discussions that followed, Cuba suggested that the two countries undertake formal bilateral discussions, as soon as practicable, to clarify the problem definitely. The United States agreed to enter into the discussions; however, the discussions

[79] At the same time the new regulations became effective the Cuban Government made effective regulations establishing a Rice Stabilization Administration, principally to stabilize rice prices in Cuba. These regulations provided for identity certificates to accompany marketings of imported and of Cuban-produced rice; they also reimposed on milled rice of either category a previously authorized tax equivalent to approximately 10 U.S. cents per 100 pounds.

[80] In mid-November 1955, the Cuban Government modified this latter restriction by authorizing entry into consumption, before the end of the calendar year, of all further imports of broken rice covered by contracts in force on July 1, 1955.

did not take place in time to produce a satisfactory adjustment of the Cuban regulations affecting rice imports before the end of the quota year on June 30, 1956.

A number of other problems were discussed during November 1954 by the delegations of the United States and Cuba. These problems, which were of several years' standing, related to the imposition of various Cuban taxes on imports from the United States. The United States considered that the manner in which these taxes were being applied to products of the United States was discriminatory and was inconsistent with Cuba's obligations under the General Agreement. The tax discriminations involve the application of the Cuban gross sales tax—at the full rates—to products imported from the United States; like commodities produced in Cuba are subject either to lower taxes or are exempt. Another question with respect to Cuban taxes related to newly established or increased supplementary taxes or charges on import transactions in general or on particular classes of commodities. In effect, these taxes increase the aggregate charges collected by Cuba on imports of products on which Cuba has bound the rates of duty under the General Agreement. For this reason, the United States has repeatedly brought these tax matters to the attention of Cuba. They were again discussed in considerable detail during October–November 1955, with a view to determining the legal basis of each tax and to clarifying each country's position with respect to them. According to Cuba, the legal basis for the differential application of the gross sales tax antedates the Protocol of Provisional Application of the General Agreement,[81] and therefore Cuba is not obligated to remove the discriminations. While the United States recognized the Cuban problem with respect to the gross-sales-tax system, the United States did not agree with Cuba's interpretation of the provisions of the protocol. The discussion of this matter was therefore deferred, pending completion of a comprehensive review of the complex legal background of the Cuban gross-sales tax.

The 1955 bilateral discussions also covered certain minor taxes that Cuba has collected on imports in recent years in addition to its import duties and related charges. The proceeds of several of these specially enacted taxes have been earmarked for social welfare or related purposes. The United States regards the collection of these taxes as being in violation of Cuba's commitment—under the General Agreement—not to impose on United States products on which Cuba granted duty concessions any supplementary charges other or higher than those in effect on October 30, 1947.

[81] For Cuba the date of application of the agreement is January 1, 1948.

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