

OPERATION OF THE TRADE AGREEMENTS PROGRAM

**36th Report
1984**



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United States International Trade Commission - Washington, DC 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

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**Prepared in Conformity With
Section 163(b) of the
Trade Act of 1974**

PREFACE

This report is the 36th in a series to be submitted under section 163(b) of the Trade Act of 1974 and its predecessor legislation. 1/ The trade agreements program encompasses "all activities consisting of, or related to, the administration of international agreements which primarily concern trade and which are concluded pursuant to the authority vested in the President by the Constitution . . ." 2/ and other legislation. Among such other laws are the Reciprocal Trade Agreements Act of 1934 (which modified the Tariff Act of 1930 and started the trade agreements program), the Trade Expansion Act of 1962, the Trade Act of 1974, the Trade Agreements Act of 1979, and, most recently, the Trade and Tariff Act of 1984.

The report consists of a summary, an overview, five chapters, and appendices. The overview briefly describes the economic and international trade environment within which U.S. trade policy was conducted in 1984. Chapter I treats special topics that highlight developments in the trade agreements sphere during the year. Chapter II is concerned with activities in the General Agreement on Tariffs and Trade (GATT), the main area of multilateral trade-agreement activities. Such activities outside the GATT are reported in chapter III. Chapter IV discusses bilateral relations between the United States and its major trading partners. The administration of U.S. law, including decisions taken on remedial actions available to U.S. industry and labor, is discussed in chapter V. The period covered in the report is calendar year 1984, although occasionally, to enable the reader to understand developments more fully, events in early 1985 are also mentioned.

The mechanism by which most decisions concerning the operation of the trade agreements program are made is the Trade Policy Committee (TPC). The TPC is chaired by the President's principal advisor on international trade, the United States Trade Representative.

This report was prepared principally in the Trade Reports Division of the Commission's Office of Economics. Assistance was provided by the Commission's Office of Trade Agreements and Tariff Affairs, Office of Congressional Liaison, Office of Industries, Office of Data Systems, and Office of Economics (Investigation Support Division).

1/ Section 163(b) of the Trade Act of 1974 (Public Law 93-618, 88 Stat. 1978) directs that "the International Trade Commission shall submit to the Congress, at least once a year, a factual report on the operation of the trade agreements program."

2/ Executive Order No. 11846, Mar. 27, 1975.

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SUMMARY

SELECTED ISSUES IN TRADE AGREEMENTS ACTIVITIES IN 1984

The significant impact of trade on American economic performance brought trade to the top of the domestic policy agenda in 1984. Rising imports of manufactured goods and continuing foreign barriers to U.S. exports emerged as key concerns. In large part in response to these concerns, several major trade policy proposals were acted on in 1984, including new trade legislation, a 5-year steel import restraint program, and authorization for a bilateral free trade arrangement with Israel.

In October 1984, Congress passed and the President signed the most significant trade legislation since the Trade Agreements Act of 1979. The Trade and Tariff Act of 1984 gave the President expanded authority to negotiate bilateral free trade arrangements, seek the elimination of foreign barriers to services and investment, and enforce voluntary export restraints on exports to the United States. It also extended the Generalized System of Preferences through 1993 and gave the President more discretion when granting duty-free treatment to imports from developing countries. The President was directed to use this discretion to obtain assurances of fair export practices and to secure elimination of foreign barriers to U.S. competition, such as investment performance requirements and restrictions on the operations of U.S. banking, insurance, and other service providers.

In September 1984, the President announced a nine-point program for the steel industry. The centerpiece of the program was the negotiation of quotas on imports from major foreign suppliers, with a goal of limiting steel imports to an 18.5 percent share of the U.S. market. The President's announcement followed receipt of a Commission recommendation calling for higher tariffs and quotas on certain carbon and alloy steel products. The Commission had found in July that increased imports of certain carbon and alloy steel products were a substantial cause of serious injury to certain domestic steel producing industries. By yearend, the President had concluded voluntary restraint agreements with seven major steel exporting countries. The agreements cover imports of steel mill products from the seven countries and limit total shipments by each of these countries to a fixed share of the U.S. market for five years.

Later in the year, the President used the authority contained in the Trade and Tariff Act of 1984 to negotiate a bilateral free trade arrangement with Israel. The free trade arrangement under consideration involves eventual duty-free treatment of all imports on a bilateral basis, along with expanded assurances of fair treatment and free access for U.S. investors and service firms in Israel. The United States-Israel agreement is similar to an agreement reached between the European Community and Israel. It is the first comprehensive bilateral free trade program that has been formally considered in the United States and may serve as the model for similar agreements with other trading partners in the near future.

**THE GENERAL AGREEMENT ON TARIFFS AND TRADE
AND THE TOKYO ROUND AGREEMENTS**

The primary focus of the General Agreement on Tariffs and Trade (GATT) during 1984 continued to be on the work program proposed at the Ministerial-level meeting in 1982. Foremost on this agenda were issues such as services, counterfeiting, agricultural subsidies, and dispute settlement. Lack of consensus among GATT members stalled progress on a safeguards code. At the 1984 annual session, the Contracting Parties agreed to begin a formal exchange of information on services trade in early 1985. They also agreed to a waiver of U.S. GATT obligations with respect to tariff provisions of the U.S. Caribbean Basin Initiative. A large number of disputes were brought before GATT panels in 1984. Of four cases initiated by the United States, two were completed; panel reports were adopted urging Canada to adapt the administration of its Foreign Investment Review Act to comply with GATT rules and requesting Japan to eliminate its quantitative restrictions on leather imports.

TRADE ACTIVITIES OUTSIDE THE GATT

In 1984, the member countries of the Organization for Economic Cooperation and Development (OECD) continued to emphasize the need to "reverse protectionist trends." A major outcome of the OECD's May Ministerial-level meeting was the agreement to advance by 1 year the final stage of Tokyo Round tariff cuts scheduled for 1986. The Ministers also approved a work program to develop specific proposals aimed at fighting protectionism. Other trade-related activities of the OECD consisted primarily of the implementation of existing work programs covering such topics as agricultural trade, trade in high-technology goods, and international technology transfers. The Declaration on International Investment and Multinational Enterprises was also amended to further improve the climate for international investment and the confidence between multinational enterprises and governments. Changes in the guidelines for mixed credits remained an issue of considerable debate throughout 1984; the United States continued to advocate raising the minimum allowable level of aid in mixed credit packages in order to discourage the use of this type of subsidized export credit.

Three major trade-related topics that grew out of the Sixth United Nations Conference on Trade and Development (UNCTAD) in 1983, continued to be the focus of work in UNCTAD in 1984: (1) trade preferences for developing countries and the overall functioning of the international trading system, (2) protectionism and structural adjustment, and (3) commodities trade. The erosion of the principles and rules of the international trading system, including the spread of protectionist measures, particularly concerned the developing-country participants.

The United States remained a participant in international commodity agreements covering coffee, sugar, wheat, jute, and natural rubber. In 1984, the jute agreement entered into force provisionally and the agreement covering cocoa was extended for 1 more year. Negotiations were held to replace the agreements covering cocoa, natural rubber, and sugar; however, no new agreements were completed.

In 1984, the United States continued to advocate establishing a multilateral set of rules to govern services trade. The GATT and OECD hosted important discussions on the issues and problems related to trade in services, while UNCTAD focused on services' role in the development process. The Trade and Tariff Act of 1984 authorized the negotiation of a free trade agreement with Israel that included for the first time provisions explicitly covering services trade.

DEVELOPMENTS IN MAJOR U.S. TRADING PARTNERS

In 1984, the United States experienced an overall merchandise trade deficit of \$110.9 billion, ^{1/} of which \$92.3 billion (or 83 percent of the total deficit) was with the country's major trading partners (under review in this report): Canada, the European Community, Japan, Mexico, Taiwan, South Korea, and Brazil. The strength of the U.S. dollar was largely responsible for the influx of imports and the weak demand for U.S. exports. While U.S. exports to each of its major trading partners increased in 1984, but not enough to keep pace with the rapid growth of imports.

The most noteworthy developments in United States-Canadian trade relations in 1984 were the jump in the U.S. trade deficit with Canada and continued interest on both sides for further liberalization in bilateral trade. The U.S. trade deficit with Canada jumped from \$15.4 billion in 1983 to \$21.8 billion in 1984 (20 percent of the total U.S. trade deficit). Despite the mounting U.S. deficit, trade relations between the world's largest trading partners remained very good. Even though interest in the sectoral approach to free trade between the two had waned by yearend, serious efforts to liberalize bilateral trade continued.

United States-European Community (EC) trade relations worsened in 1984 as protectionist pressures on both sides of the Atlantic mounted. EC exports to the United States benefited by the rise in the value of the dollar, which enabled the Europeans to achieve a \$12.1 billion trade surplus with the United States. Steel dominated the bilateral trade agenda in 1984, but this issue was only one of several differences over approaches to international trade that remained unresolved at yearend. The EC imposed restrictions on certain imports from the United States in retaliation for curbs on imports of specialty steel imposed by the United States in 1983. In March 1984, the EC increased tariffs on styrene, polyethylene, sporting goods and equipment, and snow skis; and imposed quantitative restrictions on methanol, vinyl acetate, and burglar alarms. In another steel case, rising U.S. imports of steel pipe and tube from the EC led the United States to embargo imports of such products from the EC from November 29, 1984, to yearend after negotiations on a voluntary restraint arrangement broke down.

Although no major ruptures took place, 1984 was a difficult year for United States-Japanese trade relations. A year of intense trade talks resulted in only a few market-opening measures by the Japanese. High technology dominated the trade agenda for much of the year. Two major high-technology issues were proposed Japanese restrictions on foreign-made satellites and draft laws that would change the terms of competition in

^{1/} This merchandise trade balance statistic is based on imports valued on a customs (dutiabale) basis. When c.i.f. imports are used, this figure would be \$123 billion.

Japan's market for computer software and telecommunications equipment and services. Japan was the third-largest trading partner of the United States in 1984. The country's record \$33.9 billion trade surplus with the United States was a major U.S. concern which underlay U.S. efforts to achieve liberalization of Japan's import regime.

U.S. trade relations with the newly industrialized countries (NIC's) were affected by the latter's drive to expand exports while simultaneously restricting imports. These efforts were intensified because of continuing debt service pressures on the NIC's; trade surpluses are the only way to offset net capital outflows. However, the NIC with the largest trade surplus, Taiwan, did not have a debt service problem. Its \$10 billion surplus in 1984 was in large part the result of Taiwan's relatively closed market. The U.S. trade deficit with the NIC's covered in this report totaled \$24.5 billion in 1984--22 percent of the total U.S. trade deficit. Partially in response to U.S. pressure, limited progress was made by the NIC's in opening up their markets to foreign goods. Although none of these countries were excluded from the GSP program in 1984, all were concerned with the new U.S. policy that conditions renewal of GSP preferences on beneficiary country efforts to open markets to U.S. products and to combat product counterfeiting.

ADMINISTRATION OF U.S. TRADE LAWS AND REGULATIONS

The U.S. International Trade Commission completed five investigations under statutes safeguarding U.S. industries from import injury (sec. 201 of the Trade Act of 1974) in 1984. The Commission voted in the negative in three cases: stainless steel table flatware, nonrubber footwear, and canned tuna fish. Affirmative determinations were made in two cases: carbon and certain alloy steel products and unwrought copper. In response to the Commission affirmative findings, the President determined that granting import relief for copper would not be in the national economic interest. In the steel case, the President announced that he would not implement the Commission's remedy recommendation. Instead, he directed the United States Trade Representative (USTR) to negotiate voluntary restraint agreements with major world suppliers.

The U.S. Department of Commerce and the Commission continued to have a large caseload of antidumping and countervailing duty investigations during the year. The Department of Commerce completed 61 final antidumping investigations in 1984, an increase of 144 percent from 1983. The Commission completed 50 preliminary and 32 final antidumping investigations. Antidumping duties were imposed, as a result of 23 of these investigations, on a total of 18 products from 9 countries.

The Department of Commerce completed 39 final countervailing duty investigations in 1984, which represented a slight increase over the 35 investigations completed in 1983. The Commission completed 16 preliminary and 9 final investigations. Countervailing duty orders were imposed, as a result of 14 of these investigations, on a total of 11 products from 6 countries.

As in previous years, many of the investigations undertaken by the USTR focused on outstanding trade issues in U.S.-EC trade. During 1984, three new section 301 petitions were filed, but one of these was withdrawn prior to initiation of an investigation. A petition filed by Transpace Carriers, Inc., concerning satellite launching services, reflects the increasing effort by

service industries to obtain section 301 remedies. Of the six petitions filed in 1983, only the three concerning foreign restrictions on U.S. soybean exports remain unresolved.

The tariff provisions of the Caribbean Basin Economic Recovery Act, commonly referred to as the Caribbean Basin Initiative (CBI), went fully into effect in 1984. The CBI has become the major U.S. duty-preference program used by Caribbean countries for exporting to the United States. Duty-free imports under the CBI totaled \$578 million in 1984, or 6.5 percent of total U.S. imports from the region. While imports under CBI privileges were dominated by agricultural products, they also included some industrial products--mainly electrical items and toys. At the end of 1984, U.S. Customs Service requirements for showing eligibility under CBI were simplified.

Changes resulting from the last annual review of the original GSP program of the United States became effective in March 1984. Procedure and schedules for review were changed in the new GSP program, which was enacted under the Trade and Tariff Act of 1984 and went into effect in January 1985. One major consequence of these changes in the review process is that the President has greater authority to determine country eligibility and product specific benefit levels than under the previous GSP scheme. In the 1984 product review, 22 products, representing imports of \$7 million in 1983, were added to the list of GSP-eligible items, compared with an addition of \$10 million (based on 1982 trade figures) in the previous annual review. Meanwhile, three products with an import value of \$33 million were removed from the program because of import sensitivity. Under mandatory competitive-need provisions, products accounting for \$10.7 billion in 1983 imports were removed from the GSP list. Moreover, the President used his discretionary authority to graduate from duty-free treatment \$1.2 billion in 1983 imports of products for which he determined that a beneficiary country no longer needed GSP treatment to be competitive.

OVERVIEW: THE INTERNATIONAL ECONOMIC ENVIRONMENT IN 1984

The volume of world trade reached record levels in 1984, increasing by 9 percent over 1983. ^{1/} The gain was the largest in 8 years, but the uneven nature of the recovery aggravated tensions between countries over trade issues and did little to arrest the rise in protectionism. The 1984 economic expansion was characterized by rapid growth in the United States, sluggish growth in Western Europe, and disparate growth among the developing nations. Industrial production in the developed countries increased by 6.5 percent. In Western Europe, however, the increase was 3 percent, compared with 10 percent increases in both Japan and the United States. While several of the developing countries improved their economic performance considerably, their overall terms of trade improved only moderately in 1984.

The pattern of 1984 trade growth deviates markedly from past experience. Imports into North America accounted for nearly two-thirds of the rise in value of 1984 world trade; the share of Western European imports in the total increase in world trade dropped sharply to less than 13 percent in 1984 and Japan's participation in the trade recovery was stronger than before. Japan became the world's largest exporter of manufactured goods in 1984, ending the Federal Republic of Germany, which had held that position since 1970. There was also a sizable increase in the share of newly industrializing countries in the growth of 1984 world imports and exports.

Trade in each of the major product groups increased, but industrial country trade grew at twice the rate of mineral and agricultural products. World exports of agricultural and mineral products each grew by 5 percent in 1984, while trade in manufactures expanded by 12 percent from the previous year. The volume of industrial country exports of manufactures increased by 12 percent, whereas that of developing country exports increased by 14 percent.

The engine of 1984 world trade growth was indisputedly the U.S. recovery in the United States. As the U.S. expansion outpaced the rest of the world, U.S. imports from industrialized countries (especially Japan and Canada) and the NIC's increased by record amounts. The strong dollar, coupled with vigorous economic activity in the United States, greatly contributed to the influx of imports. ^{2/} U.S. imports alone accounted for more than half of the 1984 increase in world trade, while exports from the United States accounted for only about 13 percent of the increase in the value of world exports in 1984. As a result, the U.S. merchandise trade deficit reached a record level of \$110.9 billion in 1984, nearly double the 1983 deficit of \$62.0 billion and almost three times as great as 1982's \$37.4 billion deficit.

The cumulative dollar appreciation since late 1980 was a major factor contributing to the increase in the 1984 deficit. The strong dollar substantially decreased the competitiveness of U.S. goods in export markets; this was particularly the case for large capital goods and industrial supply items. When U.S. firms did sell abroad, their profit margins were not significantly because of the strong dollar.

^{1/} According to an assessment of 1984 world trade by the GATT Secretariat.

^{2/} The pivotal role of the United States in influencing world trade and balances of payments in 1984 is discussed in greater detail in 1984-1985 Annual Report, Bank for International Settlements (Basel: 1985), pp. 66-67.

The year was also characterized by a rise in protectionist sentiment on both sides of the Atlantic. In the past, cyclical expansion has resulted in an improvement in world trade and an alleviation in bilateral trade tensions. Although the brisk expansion in world trade in 1984 offered an opportunity to improve the trade climate and lessen the calls for increased protectionism, the improvement did not occur. This was due to a number of factors, particularly the lopsided nature of the recovery. The impressive growth in output and employment in the United States contrasted sharply with modest growth and rising unemployment in Western Europe. An even greater disparity existed among the developing nations. These international differences in the strength of the recovery were reflected in trade, with the United States providing a disproportionately large share of stimulus to the expansion of world trade in 1984.

The large U.S. deficit precipitated calls for sectoral protection, and perceptions of "unfair" foreign competition encouraged calls for action against imports in general. Certain industries sought to "stem erosion of domestic and international market shares and to relieve the strain of adjustment made more acute by the strong dollar." ^{1/} Thus, while the United States continued to advocate free trade, and in particular supported the initiation of a new round of multilateral trade negotiations, it also took such actions as negotiating voluntary restraint agreements on steel and reinforcing bilateral textile and apparel agreements by using value-added tests to determine country of origin.

Accordingly, the year's "trend toward world protectionism in general, and toward bilateral and product specific agreements in particular, is symptomatic of the drift of the world trading system away from free trade principles embodied in the GATT." ^{2/} Against this backdrop of increased calls for protection, record-high levels of imports, a soaring merchandise trade deficit, and an overvalued dollar, the United States functioned as the engine of world trade growth in 1984. This report focuses on one aspect of that engine--the operation of the U.S. trade agreements program.

^{1/} Federal Reserve Bulletin, May 1985, vol. 71, no. 5, p. 283.

^{2/} Ibid., p. 284.

CHAPTER I

SELECTED ISSUES IN TRADE AGREEMENTS ACTIVITIES IN 1984

INTRODUCTION

This chapter describes actions taken in 1984 on a number of major trade fronts: comprehensive new trade legislation, imported steel, and a bilateral free-trade agreement with Israel. The Trade and Tariff Act of 1984, signed into law in October, addresses a number of trade issues, including renewal of the Generalized System of Preferences, negotiations on services and high technology goods, and reform of existing unfair trade statutes. In September, the President announced a nine-point Government program for the steel industry which had as its centerpiece the conclusion of voluntary restraint agreements with major steel supplying countries. These agreements would limit imports to about 18.5 percent of apparent U.S. consumption in each of the next five years, the President estimated, down sharply from the 26.6 percent share registered by imports in 1984. Later in the year, the President concluded a bilateral free trade agreement with Israel. The accord is the first free trade agreement the United States has concluded on a bilateral basis. Each of these developments is explored in greater detail below.

TRADE AND TARIFF ACT OF 1984

On October 30, 1984, President Reagan signed the Trade and Tariff Act of 1984 (Public Law 98-573) into law. The signing marked the culmination of a lengthy debate on a variety of administration proposals as well as congressional initiatives on changes in U.S. trade law. This debate was conducted in the midst of mounting trade deficits and during an election year. This section briefly describes several of the major provisions of the act. These include the renewal of the Generalized System of Preferences, trade with Israel, the International Trade and Investment Act, trade law reform measures, the Steel Import Stabilization Act, the Wine Equity Act, and miscellaneous other provisions.

GSP Renewal

A major impetus to passage of the 1984 trade legislation was a desire to extend the GSP, which was scheduled to expire on January 3, 1985. The GSP is a unilateral program of duty-free treatment for imports from developing countries. ^{1/} Title V of the act extends the GSP for 8 1/2 years, through July 4, 1993, and makes several major changes in the program.

Changes were made in the criteria that the President considers when determining a country's eligibility for GSP benefits. The President is now mandated to consider whether or not a country affords internationally recognized worker rights to its workers when extending GSP benefits to its products. The extent to which a country provides protection for intellectual property rights and reduces barriers to investment and trade in services are

^{1/} For a detailed discussion of GSP performance in 1984, see chap. V.

more relevant considerations included in the discretionary criteria used in determining country eligibility. In addition, countries will now be judged on their assurances that they will refrain from unreasonable export practices.

Another aspect of GSP that was significantly changed was the criteria to be used by the President to determine whether a country should be removed from eligibility for GSP benefits. Countries are removed from duty-free status for specific products when their exports of these products exceed certain competitive need limits. Under prior law, these limits were a specified dollar amount (\$58 million in 1983) adjusted annually by the percentage change in the U.S. gross national product (GNP) or 50 percent of the total value of all U.S. imports of the product. The 50 percent limit could be waived if the value of imports of the product was below \$1 million, adjusted annually by the percentage change in the U.S. GNP (\$1.4 million in 1983).

These basic limits are retained by the Act, except that the base level of imports below which the President may waive the 50 percent competitive need limit—the so-called "de minimus" level, was raised from \$1 million to \$5 million. Least developed developing countries are also exempted from all competitive need limits. The competitive need limits can be waived by the President after he receives advice from the U.S. International Trade Commission on the impact of the waiver on the domestic industry and if he determines that the waiver is in the national economic interest. Such a determination would be based on considerations such as improved market access for U.S. products, protection for intellectual property rights, and enhanced workers' rights. Additional restrictions are included to prevent the advanced beneficiary nations from receiving a disproportionate share of the benefits of these waivers.

Graduation—or removal of GSP benefits over and above that required by the competitive need formula—was discretionary under the prior law. However, the Trade and Tariff Act of 1984 made graduation mandatory for all products of countries with a per capita GNP of \$3,500 (indexed annually to 50 percent of the change in the U.S. GNP).¹⁷ In addition, the President is required to conduct a review by January 4, 1987 to determine the products in which beneficiary countries have achieved a sufficient degree of competitiveness. For products for which the President makes such a determination, the competitive-need limits will be reduced to \$25 million (indexed to changes in the U.S. GNP) or 45 percent of all U.S. imports of that product.

Trade With Israel

The Act gives the President authority to negotiate a bilateral free trade agreement with Israel.²¹ The proposed free trade agreement would be the most comprehensive free trade agreement the United States has considered, and provides for the reduction of both tariffs and nontariff barriers to trade on a bilateral basis. The Act also provides for special, expedited consideration in Congress of the United States-Israel free trade agreement and for expedited consideration of other bilateral free trade agreements.

¹⁷ A beneficiary country is immediately affected by the requirement.

²¹ For a more comprehensive treatment of this agreement see the section on the United States-Israel Free Trade Agreement later in this chapter.

A major issue that Congress had to resolve was whether to delegate tariff-cutting authority to the President or to require subsequent congressional approval for any negotiated tariff reductions. Each House took a different approach. The final version of the legislation required the President to obtain congressional approval for the duty reductions negotiated with Israel under section 102 of the Trade Act of 1974, which outlines special "fast-track" procedures to be followed in congressional consideration of agreements to reduce nontariff barriers. In general, these procedures require the President to notify Congress 90 days before he enters into an agreement. Once the agreement is submitted for congressional approval, each House has 60-days to approve or disapprove the measure. Amendments are not allowed, and strict time limits apply. This section expires on January 3, 1988.

For an agreement with Israel, the 90-day consultation period was waived. ^{1/} With respect to all other countries, the fast-track procedures may apply to consideration of bilateral free trade agreements if the President notifies the Senate Finance and the House Ways and Means Committees 60 days before the 90-day consultation period required under section 102, provided that neither committee disapproves during the 60-day period.

The Act also required that the implementing legislation for the United States-Israel free trade agreement include the same emergency relief provisions for perishable agricultural products that were contained in the Caribbean Basin Economic Recovery Act. These provisions allow the President, in section 201 cases involving perishable products, to withdraw duty-free treatment immediately upon recommendation by the Secretary of Agriculture. This withdrawal would remain in effect until a negative determination is made by the Commission, a Presidential decision is made on import relief, or changed circumstances are found. Finally, the act specifically states that the United States-Israel trade agreement will not exempt Israeli imports from increased duties or other forms of import relief under the major import relief statutes.

International Trade and Investment Act

Title III of the act contains the International Trade and Investment Act, also referred to as the "reciprocity" provisions. These provisions are intended to enhance the ability of the President to negotiate removal of foreign nontariff barriers to U.S. exports. This title also addresses areas of international trade that were identified as important to the U.S. economy but were not considered to be adequately covered by U.S. trade laws. These areas include trade in services and high-technology products, foreign direct investment, and protection of intellectual property rights.

A number of provisions were included to improve the U.S. Government's ability to respond to foreign market barriers. First, the United States Trade Representative is required to report annually to the Congress on significant

^{1/} The implementing legislation for this agreement was signed by the President on June 11, 1985. For a discussion of the details of the agreement, see the final sec. of this chapter.

barriers to U.S. exports and foreign direct investment. These reports will assess the trade-distorting effect of such barriers and list what actions are being taken to obtain the removal of the barriers. Second, section 301 of the Trade Act of 1974 was amended both to authorize the USTR to self-initiate investigations under that section and to define the key terms that provide the basis for Presidential action under section 301. 1/

Several provisions of title III relate to services. First, explicit negotiating authority is provided to the President for trade in services. U.S. negotiators are directed to seek elimination or reduction of barriers and to develop international rules, including dispute settlement procedures, for services trade. Second, the Secretary of Commerce is required to establish a service industries development program to improve the competitiveness of U.S. service industries. Third, the retaliatory authority of the President under section 301 of the Trade Act of 1974 was amended to make clear that the President is authorized to retaliate against foreign barriers to U.S. services by imposing restrictions on foreign service providers.

The President was also given similar authority to negotiate the removal of or reduction in barriers to foreign direct investment. In addition, the President was given authority to impose duties or other import restrictions in response to foreign export performance requirements that adversely affect U.S. economic interests.

Finally, the President was given authority to negotiate trade agreements affecting high-technology products. Among the negotiating objectives are the application of the principle of national treatment, or treatment no less favorable than that accorded domestic firms, to trade in high-technology products and the adequate protection of U.S. intellectual property rights in foreign countries. In addition, the act gave the President the authority to negotiate lower duties, including duty-free treatment, on semiconductors and parts of semiconductors and computers.

Trade Law Reform

Title VI of the act contains several modifications to the antidumping and countervailing duty statutes, which were made to Title VII of the Tariff Act of 1930 by the Trade Agreements Act of 1979. Many of this title's provisions are technical in nature and were intended to clarify and simplify proceedings under these statutes. Discussion of the major revisions follows.

Settlement agreement authority

Antidumping and countervailing duty investigations may be suspended if an agreement can be reached with the foreign government or the major exporters of the products under investigation. The act amends this authority to require verification when a settlement agreement is based on an "offset" tax; to

1/ The President is authorized in sec. 301 of the Trade Act of 1974 to take action against a foreign practice which he finds "unreasonable, unjustifiable, or discriminatory" and a burden on U.S. commerce. Section 304 of the Trade and Tariff Act of 1984 explicitly defines these three terms.

require the consideration of various public interest factors when the basis for terminating an investigation is a quantitative restriction agreement; and to require notification of the Commissioner of Customs if an intentional violation of an agreed quantitative restriction is found.

Persistent dumping

A new procedure was established to deal with situations in which an outstanding antidumping order is in effect against one country and there is reason to believe that producers in several other countries may be dumping the same product. The act identifies conditions that, if met, would require the Department of Commerce to monitor imports and possibly to initiate antidumping cases based on the evidence it collects.

Upstream subsidies

The definition of "subsidy" was expanded, subject to certain conditions, to include certain subsidies granted to producers of inputs in a production process. To be counted as part of the total benefit to be countervailed, an upstream subsidy must allow the manufacturer to purchase the input at a lower price than would be paid in an arm's-length transaction.

Cumulation

This provision applies to injury determinations by the Commission when there is more than one case involving the same product imported from different countries. The issue is whether the Commission considers the effect of imports from each country or assesses the cumulative impact of all the imports in question when determining injury. The act requires cumulation when imports are subject to investigation and the imports compete with each other and with the domestic product. The legislative history to the act states that the marketing of the imports must be reasonably coincident.

Threat of injury

The act clarifies the circumstances in which the Commission may base an affirmative injury determination on the threat of material injury. The Act lists several criteria for the Commission to consider in making such a determination. Past Commission practice had been to consider many of these factors, but Congress chose to list these factors in the statute.

Section 201

Title II of the act contains amendments to section 201 of the Trade Act of 1974. One set of changes relates to the criteria to be considered by the Commission in determining whether or not an industry has been seriously injured. The act states that the presence or absence of any factor shall not necessarily be dispositive in making the serious injury determination; the term "significant idling of productive facilities" is to include the closing

of plants or the underutilization of production capacity; and inventories are defined to include those of domestic producers, importers, wholesalers and retailers.

Second, a new method of congressional disapproval of Presidential decisions on section 201 cases was enacted. Under prior law, if the President provided relief different from that recommended by the Commission or declined to provide any relief, Congress could direct the President to impose the relief recommended by the Commission. It could do so by passing a concurrent resolution, which must be approved by the majority of those present and voting in each House, within 90 days of the President's decision. This "legislative veto" was considered to have been rendered unconstitutional by the 1983 Supreme Court decision in Immigration and Naturalization Service v. Chadha, 462 U.S. 919 (1983) and Consumers Union of the United States, Inc. v. The Federal Trade Commission, 691 F2d 575 (D.C. Cir. 1982). ^{1/} The new procedure employs passage of a joint resolution to overturn the President's rejection of a Commission recommendation. Joint resolutions may be vetoed by the President, and if vetoed, Congress may override the veto by a two-thirds majority in each House.

Steel Import Stabilization Act

The enforcement authority necessary to implement President Reagan's program of steel import restrictions is provided in title VIII of the act. On September 18, 1984, the President announced that he would not use his authority under section 203 of the Trade Act of 1974 to restrain steel imports. The President's decision followed an affirmative finding and recommendation of import relief by the Commission under Section 201 of the Trade Act of 1974. Instead, he announced his intention to seek voluntary restraint agreements on steel imports. As a result, the USTR proceeded to negotiate bilateral agreements with major steel-exporting countries. ^{2/}

The purpose of this title is to give the President authority to enforce these agreements by allowing him to require a valid export license as a condition of importing steel products into the United States. Authority to enforce the 1982 U.S.-EC arrangement on pipes and tubes was also provided. The latter provision reflected concern that the U.S.-EC arrangement on carbon steel had failed to restrain the increase in EC shipments of pipe and tube products into the United States.

This enforcement authority was granted for up to 5 years. However, the authority will expire if the President does not annually determine that the major U.S. steel companies have committed substantially all of their steel-related net cash flow to reinvestment and modernization investments and that, in general, the industry has taken steps to maintain its international competitiveness. In addition, each major company must commit 1 percent of its net cash flow to retraining workers. This retraining requirement can be waived by the President with respect to specific companies if he finds that unusual economic circumstances warrant a waiver.

^{1/} The Chadha decision involved a one House legislative veto and the FTC decision involved a two House veto.

^{2/} For details of the steel program, see the following section.

Wine Provisions

Provisions affecting wine trade are found in title IX, the Wine Equity and Export Promotion Act, and in title VI.

Title IX requires the USTR to identify major wine-trading countries that are potential markets for U.S. wine and that maintain tariff and nontariff barriers to U.S. wine. The USTR is then required to consult with these countries to seek reductions in or elimination of these barriers. If appropriate, the President is required to take retaliatory action under section 301 of the Trade Act of 1974. By November 1985, the USTR is to report to Congress on the success of these efforts.

In addition, title VI contains a special provision for grape growers. For a 2-year period, for purposes of antidumping or countervailing duty investigations on wine and grape products, the domestic industry shall be defined to include grape growers as well as wine producers. This provision effectively gives grape growers standing to file unfair trade practice cases against wine imports.

Miscellaneous Provisions (Titles I and II)

TSUS changes

The act contains 70 amendments to the tariff schedules of the United States. Among these amendments are new break outs of telecommunications product classifications, which is intended to improve the monitoring of imports of telecommunications equipment.

Marking requirements

The act requires that the country of origin be marked on imports of pipe, pipe fittings, compressed gas cylinders, and manhole parts and assemblies.

Customs brokers

A new administrative system for regulating customs brokers was established. This system includes new licensing procedures and penalties.

Trade Remedy Assistance Office

Section 221 of the act is intended to make the trade laws more accessible to small businesses. To accomplish this objective, two steps were taken. First, a Trade Remedy Assistance Office was established in the Commission. This office will disseminate information to the public on the import relief statutes. Secondly, each agency involved in administering one of these statutes is required to provide technical assistance to small businesses in the preparation of petitions and applications for remedies and benefits provided by the statutes.

Foreign advertising expenses

Section 232 was included in the act in response to a Canadian law that disallows tax deductions for advertising on U.S. radio and television stations. This section disallows deductions under U.S. tax law for advertising on stations in countries that deny a similar deduction for U.S. advertising. This action results from a case brought against Canada under section 301 of the Trade Act of 1974. 1/

Copper imports

On September 6, 1984, the President rejected the Commission's recommendations of import relief for the copper industry under section 201 of the Trade Act of 1974. 2/ Section 247 contains a nonbinding resolution calling on the President to seek production cutbacks by copper-exporting countries.

THE STEEL IMPORT PROGRAM

In December 1984, the President announced that imports of steel mill products from certain major supplying countries would be restricted until 1989. The President estimated that the share of imports in the U.S. market for steel would decline to 18.5 percent in each of the next 5 years (excluding semifinished steel) as a result of such restraints. That share would be sharply down from recent levels; in 1984, for example, imports accounted for more than one-fourth of the steel consumed in the United States.

Background

The President decided to seek restraints on imported steel after a finding by the Commission that increased imports of steel had been a substantial cause of serious injury to the competing domestic industries. To remedy the injury found, a majority of the Commission recommended that the President impose a 5-year relief program consisting of increased tariffs on certain alloy steel products and quantitative restrictions on imports of carbon steel products. In September 1984, the President announced that he would not impose the Commission's remedy recommendation. As an alternative, he directed the USITR to begin negotiations with countries whose exports to the United States had increased significantly as a result of "unfair" trade practices. According to the President, the individual negotiations would result in limiting overall imports to approximately 18.5 percent of the U.S. market, excluding semifinished steel.

The 1984 action was the most recent in a long series of import restrictions imposed by the U.S. Government to help the steel industry adjust to foreign competition and to redress unfair foreign trade practices such as dumping and subsidization. Fifteen years earlier, the United States had negotiated voluntary restraints on European and Japanese shipments of steel,

1/ For a discussion of this case, see chaps. III and IV.

2/ For a discussion of this case, see chap. III.

and since that time a variety of measures, including a floor price system (the trigger price mechanism) and a surge monitoring system have been employed by the U.S. Government to control imports of steel. A brief description of these measures is provided in the chronology on the following page.

The European Community and newly industrializing countries such as Brazil and Korea have been particularly affected by the more than 200 trade cases involving carbon steel products investigated by the U.S. Government since 1981. Duties have been levied by the United States to offset the subsidies and dumping found in these cases, and other restrictions have been applied. To avoid the likely imposition of such duties, the European Community reached a bilateral agreement with the United States in 1982 restricting the shipments by member states to a certain share of the U.S. market. In return, the U.S. industry withdrew cases that had alleged unfair trade practices by EC suppliers. 1/ In the same year, Brazil imposed an export tax on its U.S.-bound steel shipments. In return, the U.S. Department of Commerce did not impose countervailing duties on such products. And in 1983, the President imposed import relief in the form of a series of orderly marketing arrangements for foreign specialty steel products. 2/

The Commission's Recommendation

Bethlehem Steel Corporation and the United Steelworkers of America filed a petition with the Commission on January 24, 1984 under section 201 of the Trade Act of 1974, requesting temporary relief from import competition for a wide range of carbon and certain alloy steel products. 3/ On June 12, 1984,

1/ EC suppliers were allowed to supply different shares of apparent U.S. consumption for different products ranging from 2.20 percent for tin plate and 21.85 percent for steel piling. A separate agreement on pipes and tubes was also concluded. For a complete description of this bilateral arrangement, see U.S. International Trade Commission, Operation of the Trade Agreements Program, 34th Report 1982, USITC Publication 1414, 1983, pp. 124-127.

2/ For a complete summary of U.S. actions under antidumping and countervailing duty laws affecting steel products in effect at any time during the Jan. 1, 1978 to July 31, 1984 period, see Summary of Trade and Tariff Information: Iron and Steel, (U.S. International Trade Commission, USITC Publication 841, January 1985, app. C).

3/ The scope of the petition was all carbon and alloy steel mill products, except stainless steel and tool steel products. Besides the basic steel mill products, several first tier fabricated steel products were included within the scope of the petition because of the direct impact that imports of such products were felt to have upon the basic steel industry. The petitioners sought a quota restricting steel imports to less than 15 percent of the U.S. market for a 5-year period. The import restrictions requested were similar to the restrictions contained in the Fair Trade in Steel Act pending before Congress in 1984.

Chronology of Developments affecting U.S. Steel Trade

- 1959: For the first time since World War II, the United States imports more steel than it exports.
- 1961-67: Import penetration in the United States rises from less than 5 percent in 1960 to 12 percent in 1967. U.S. steelmakers file nearly 300 antidumping cases, but only 8 are ultimately decided in the industry's favor.
- 1968: Import penetration reaches 16.7 percent. United States begins negotiations with European nations and Japan to obtain voluntary restraints on their steel shipments to the United States.
- 1969: Japan and several European nations announce their intent to impose voluntary restraints on their exports of steel to the United States through 1972.
- 1972: VRA's on Japanese and European steel shipments extended through 1974.
- 1974: Trade Act of 1974 passed, changing the criteria for obtaining relief from imports under the so-called escape clause provisions, found in Section 201.
- 1976: Following a petition for escape clause relief, the United States imposes quotas on specialty steel products including stainless steel and alloy tool steel for a three year period.
- 1977: Dumping duties imposed after finding of LTFV sales of Japanese steel plate in the United States.
- 1978: The Trigger-Price-Mechanism (TPM) is implemented. Imports that enter below "trigger" prices may trigger an antidumping investigation which would be self-initiated by the U.S. Government.
- 1979: Import relief under section 201, which is scheduled to be terminated for specialty steel in 1979, is extended for 8 months until 1980.
- 1980: U.S. Steel Corporation files dumping cases against seven European countries regarding carbon steel products. As a result, the trigger-price mechanism (TPM) program is suspended. In May, the Commission makes affirmative injury determinations in most of the U.S. Steel-initiated cases. In September, administration re-imposes TPM, revising "trigger" prices upward. Producers withdraw their suits.
- 1981: Specialty steel imports are monitored by a new surge review program under which significant increases in imports of a product from a country could be used as the basis for the Government to initiate antidumping or countervailing duty cases.

The Department of Commerce secures a Memorandum of Understanding from Japanese nail producers. The agreement terminated an antidumping investigation in exchange for a Japanese assurance that sales would be made at or above Commerce's published price levels for a 2-year period.

1982: The TPM continued in operation until January 1982 when it was again suspended in response to numerous petitions filed by the domestic industry charging unfair trade practices by European makers. The TPM is later reinstated for imports of certain stainless steel wire and drawn bars.

The Department of Commerce reaches agreements with major European suppliers limiting their market share for a number of steel mill products through 1985. Domestic industry withdraws its legal actions against allegedly unfairly traded steel from the European countries.

As a result of a 301 petition filed in 1981, the President requests the Commission to initiate a 201 investigation five specialty steel products, initiates multilateral discussions aimed at eliminating unfair trade practices in steel products, and announces his intention to monitor imports of specialty steel products subject to the 201 proceeding.

1983: The Commission votes affirmatively on the 201 specialty steel import relief case. The President increases tariffs on certain stainless steel products and imposes quotas on others. Late in the year, orderly marketing agreements for specialty steel products are concluded with Japan, Canada, Poland, Argentina, Spain, Austria, and Sweden.

The USTR rejects a 301 petition filed in 1982 by the American Iron & Steel Institute that alleged that Japanese agreements with major European steel producers were in violation of the GATT.

1984: Bethlehem Steel Corp. and the United Steelworkers of America file a petition for relief under section 201 of the Trade Act of 1974. In July, the Commission makes affirmative determinations on semifinished steel, plates, sheets and strip, wire and wire products and structural shapes and units. The President announces a new Government program for the steel industry in September and by December concludes market-share limitation agreements with seven major steel exporters.

the Commission made affirmative determinations covering approximately 75 percent of the volume of the steel products under investigation. 1/

1/ The Commission determined that increased imports of carbon and alloy steel plates, sheets and strip, wire and wire products, and structural shapes and units were a substantial cause of serious injury to the domestic steel industries producing those products, and that increased imports of semifinished steel products were a substantial cause of serious injury or threat of serious injury. Commissioners Stern and Liebler voted negatively on all product lines. For semifinished steel, Commissioners Lodwick and Rohr voted affirmatively on the basis of threat of serious injury, and Commissioner Eckes voted affirmatively on the basis of present injury.

The Commission's negative determinations on other product lines were based on the findings that intra-industry competition (wire rods and bars) and an unusually severe decline in demand (railway-type products) had greater adverse effects on the steel industry than did import competition.

Carbon steel is the most widely used class of steel, accounting for the largest percentage of total steel production and the widest diversity in application. The major customers for the steel products covered by the Commission's investigation are the construction, machinery, industrial equipment, tool, automotive, and shipbuilding industries. The principal sources of imports of these steel products in the 1979-83 period were Japan, Germany, Canada, Korea, France, Belgium, Luxembourg, Brazil, Spain, and South Africa. 1/

Section 201 requires the Commission to determine whether an article is being imported in such increased quantities as to be a substantial cause of serious injury or threat thereof to the domestic industry, and if so, to recommend the relief that would prevent or remedy the injury. The Commission may only make an affirmative determination under section 201 if it finds that (1) imports of the article are increasing either absolutely or relative to domestic production; (2) the domestic industry is seriously injured or threatened with serious injury; and (3) the increased imports are a substantial cause of the injury found or threatened. In the process, the Commission considers other possible causes of injury that may be more important causes than imports.

In making its affirmative finding, the Commission cited figures indicating the steel industry's crisis and the substantial role imports played in it. Among the facts cited by the Commission in its finding were-- 2/

- o U.S. producers' net shipments of all steel mill products dropped to a 20-year low of 62 million tons in 1982. Although shipments increased in 1983, the 1983 shipment level was 39 percent below the peak shipment level of 111 million tons in 1973. This represented the second lowest annual level of shipments since 1964.
- o Capacity utilization declined from 87.8 percent in 1979 to a low of 48.4 percent in 1982. At 56.2 percent in 1983, capacity utilization was still quite low.
- o The average number of workers employed in U.S. firms producing products subject to the investigation declined by 41 percent from 1979 to 1983, from 168,000 employees to 98,400 employees.
- o The overall financial performance of the major producers of carbon and alloy steel products reached record lows in 1982 and 1983, when 10 integrated producers had combined operating losses of \$5.6 billion and 5 nonintegrated producers had operating profits of only \$28 million or 1.1 percent of sales. Debt-to-equity ratios were quite high for the integrated producers, at 1.7 to 1 in 1982 and 2.1 to 1 in 1983.

1/ U.S. International Trade Commission, Carbon and Certain Alloy Steel Products, USITC Publication 1553, July 1984, vol. II, p. H-2.

2/ ~~U.S. International Trade Commission, Carbon and Certain Alloy Steel Products, USITC Publication 1553, July 1984, pp. 35-36.~~

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- o Although the absolute volume of imports of all steel mill products had dropped from their 1981 peaks, the ratio of imports to domestic producers' shipments increased from 17.9 percent in 1979 to 27.7 percent in 1982. The ratio dropped slightly in 1983, to 26.0 percent and then increased to 34.1 percent in the first quarter of 1984.

On July 24, 1984, the Commission forwarded to the President its recommendations on steps that would offset the injury present or threatened in the U.S. steel industry. The majority relief recommendation was as follows:

We recommend that the President impose (1) a tariff-rate quota on imports of semifinished steel, (2) quantitative restrictions (quotas) on imports of plates, sheets and strip, structurals and wire, and (3) a tariff increase on imports of wire products. We recommend that the relief be granted for a period of five years with specified reductions in the level of relief in the fourth and fifth years. . . . We believe that this period is necessary for the domestic industries to generate additional income, make investments in modernizing facilities, and thus adjust to import competition. The size of the investment required for modernization of facilities and the time necessary for items such as continuous casters to become operational would make a shorter period of relief ineffective. 1/

The President's Decision

After receiving the Commission's recommendation, the President had 60 days to determine whether import relief was appropriate, with the decision to be based on the Commission's recommendation as well as on broader national interest considerations. 2/ These considerations include such factors as the costs of relief to consumers, the probable effectiveness of relief in promoting economic adjustment by the industry, and the possible adverse effects of any retaliatory actions by affected trading partners.

1/ See "Views of Commissioners Eckes, Lodwick and Rohr regarding remedy," in Carbon Steel and Certain Alloy Steel Products (U.S. International Trade Commission, USITC Publication 1553, July 1984, pp. 71-79). Although a majority of the Commission recommended the above relief formula, some individual Commissioners chose to give additional comments on relief measures. For example, Commissioners Lodwick and Rohr recommended that continued import relief be conditioned on the presentation of adjustment plans by the steel industry. Vice Chairman Liebeler, who also voted negative on all product lines, recommended that no import relief be provided, but that if relief were granted, it should be conditioned on a 20 percent compensation cut to steelworkers.

2/ These broader national interest considerations are outlined in section 202(c) of the Trade Act of 1974.

On September 18, 1984 the President announced that he would not implement the Commission's remedy recommendation because "import relief is not in the national economic interest." In his memorandum for the United States Trade Representative, the President said: 1/

We must do all we can to avoid protectionism, to keep our market open to free and fair competition, and to provide certainty of access for our trading partners. It is not in the national economic interest to take actions which put at risk thousands of jobs in steel fabricating and other consuming industries or in the other sectors of the U.S. economy that might be affected by compensation or retaliation measures to which our trading partners would be entitled. . . . However, I have decided to establish a government policy for the steel industry. I believe that this new policy is the best way to respond to the legitimate concerns of the domestic industry while maintaining access to our market for those who trade fairly.

In lieu of the Commission's recommendation, the President outlined a nine-point U.S. Government program for the steel industry. 2/ The major component of the program was the negotiation of surge-control arrangements, understandings, or suspension agreements with countries "whose exports to the United States have increased significantly in recent years due to an unfair surge in imports." Unfair surges were described in the President's decision as dumping, subsidization, or diversion from other importing countries who have restricted access to their markets. 3/ Should it not prove possible to obtain surge control agreements, the President stated that he would use his authority under the unfair trade laws, including Section 301 of the Trade Act of 1974, to ensure that the countries do not maintain unrestricted access to the U.S. market. Existing agreements, such as the EC arrangement and voluntary restraints by South Africa and Mexico were to remain in effect. 4/ According to the President, the net result of this program would be to reduce imports to about 18.5 percent of the U.S. steel market, not including semifinished steel imports, which would be restricted to about 1.7 million tons annually. 5/

1/ Ronald Reagan, Memorandum for the United States Trade Representative regarding Steel Import Relief Determination, Sept. 18, 1984.

2/ 49 F.R. 184, Sept. 20, 1984, pp. 36813-36814.

3/ The steel program did not specify how the U.S. Government would determine whether a country had engaged in unfair trade in steel.

4/ Office of the United States Trade Representative, "Brock Announces President's Steel Decision," Press Release No. 84/23, Sept. 18, 1984, p. 3. In addition to the products covered under the initial arrangement with the EC, the administration concluded negotiations with the EC in January 1985 to limit pipe and tube exports to 7.6 percent of the U.S. pipe and tube market in 1985 and 1986. The administration is also conducting consultations with the EC to limit their semifinished steel exports to the United States, as part of the 1.7 million ton semifinished steel import level.

5/ Statement of Robert E. Lighthizer, Deputy USTR, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, Mar. 14, 1985.

Other points of the President's steel program include--

- (1) Support of legislation in Congress to make enforceable at U.S. borders all VRA's and surge-control arrangements; 1/
- (2) Continuing consultations with trading partners to seek elimination of trade-distorting and trade-restricting practices; 2/
- (3) Monitoring of the efforts taken by the steel industry to adjust and modernize; 3/
- (4) An interagency review of all U.S. Government domestic tax, regulatory, and antitrust laws and policies that could hinder the ability of the steel industry to modernize;
- (5) An analysis of domestic steel plate capacity in relation to emergency needs; 4/
- (6) Development of a program to assist workers and communities adversely affected by steel imports. 5/

On December 19, 1984, the United States Trade Representative announced that basic agreement with the governments of seven major steel exporting countries had been reached on limiting their steel shipments to a specified share of the U.S. market for the 5 years from October 1, 1984. 6/ The market shares agreed to were as follows:

<u>Country</u>	<u>Share</u>
Japan-----	5.80
Korea-----	1.90
Brazil-----	0.80
Mexico-----	0.36
Spain-----	0.67
Australia-----	0.18
South Africa-----	<u>0.42</u>
Total-----	10.13

Source: Office of the United States Trade Representative.

1/ This legislation, the Trade and Tariff Act of 1984, was signed into law on Oct. 30, 1984. Title VIII of this act provides the enforcement authority for the VRA's on steel.

2/ Included in this point would be efforts by the administration in the OECD to ban export subsidies or mixed credits on the exportation of steel making equipment by OECD countries. This is part of a broader U.S. policy to discourage subsidization of investment in sectors where a structural world oversupply exists.

3/ The Commission would perform this function.

4/ The Department of Defense and the Federal Emergency Management Agency would perform this function.

5/ The Secretary of Labor, in conjunction with the local communities, would be responsible for development of this program.

6/ Additional agreements were negotiated in 1985.

Shipments of stainless steel products and of carbon steel sheet, plate, tubular goods, shapes, and bars were covered by the agreements, but negotiations on the specific mix of products and allowable shifts between these groupings continued into 1985.

A VRA with the EC, restricting its overall market share to about 5.9 percent of the U.S. market, had been negotiated prior to the announcement of the President's steel program, and it is expected to continue through 1985. 1/ The December agreements, combined with the previously negotiated agreement with the EC, cover about 75 percent of total U.S. imports of affected products. 2/

In the President's steel program, semifinished steel imports were to be restricted to about 1.7 million tons. As part of the steel negotiations concluded by the USTR in December 1984, semifinished steel imports from the seven countries subject to agreements will be limited to 1.1 million tons in 1985. Import levels for the following 4 years have yet to be arranged. Nearly 600,000 tons of the overall import limitation would appear to remain to be divided among the largest U.S. sources of semifinished steel--Canada, Sweden, and the EC countries. The agreement levels for semifinished steel shipments in 1985 are as follows:

<u>Country</u>	<u>1,000 tons</u>
Brazil-----	700
Japan-----	100
Mexico-----	100
South Africa-----	100
Korea-----	50
Spain-----	50
Australia-----	<u>40</u>
Total-----	1,140

Source: Office of the United States Trade Representative.

Authority to enforce these VRA's is contained in title VIII of the Trade and Tariff Act of 1984, which includes the option to require that valid export licenses be presented as a condition for entry of steel exports into the United States. The export licenses would be issued by the supplier country

1/ The arrangement with the EC is administered by applying the supplying country's market share to a forecast of apparent consumption to arrive at an actual quota level. Shortfalls or excesses in market share due to errors in the forecast are factored into a subsequent period's quota level.

2/ Office of the United States Trade Representative, press release 84/26, Dec. 19, 1984.

government in accordance with VRA's with the United States. 1/ The enforcement authority ends after 5-years from October 1, 1984, or at the end of any year during this 5 year period if the President does not determine that the major steel companies have met certain modernization and competitiveness requirements. 2/ The Commission was requested by the USTR to monitor and report on the steel industry's efforts to adjust and modernize and on the competitive conditions in the steel industry. The annual Commission reports are due to the President by August 1 in each of the 5 years through 1989.

With respect to the other points of the President's steel program, the act directs the Secretary of Labor, in consultation with the Steel Advisory Committee, to submit a proposed plan of action for assisting workers in communities that are adversely affected by steel imports.

Foreign Reaction

Following the announcement of the President's steel program, some trading partners expressed concern that this policy might intensify to protectionist pressures in their own countries and that it was inconsistent with GATT rules. The reliance by Contracting Parties on so-called "grey area measures" is an issue that has been discussed primarily in the context of the establishment of a GATT safeguards code. 3/ Essentially, there is concern that a proliferation of grey area measures outside the discipline of the GATT could lead to increasingly protected world markets and may have the effect of "cartelizing markets, of penalizing the most efficient suppliers, and often lead to trade diversion and political frictions, even if this was not intended by the countries which have sought them." 4/

In announcing his intention to seek import restraints, the President had indicated that "[t]he Administration's hope is that this combination of actions, taken without protectionist intention or effect, would enable one of the United States' most basic and vital industries to return to a level playing field, one in which steel is traded on the basis of market forces, not government intervention." 5/ The United States counters these protectionist fears by pointing out that the steel program is limited in duration, includes provisions to encourage and monitor the domestic steel industry's adjustment efforts, and reinforces U.S. efforts to eliminate trade distortions and trade restraining practices in other markets.

1/ Title VIII is also referred to as the Steel Import Stabilization Act.

2/ These include reinvestment of substantially all net cash flow into the steel sector, with no less than 1 percent committed to worker retraining, and taking sufficient action to maintain international competitiveness, including cost control measures, productivity increases, and production of price-competitive and quality-competitive products.

3/ "Grey area measures" is the term used to describe trade actions technically taken outside GATT rules. See the 35th Operations of the Trade Agreements Program, for discussion of the efforts of the Safeguards Committee to develop a safeguards code and the pressures for and possible implications of grey area measures.

4/ Safeguard Committee Chairman's report November 1983.

5/ Ronald Reagan, Memorandum for the United States Trade Representative regarding Steel Import Relief Determination, Sept. 18, 1984.

Current Situation

Full year data for 1984 indicate that the situation of the steel industry continued to weaken. Imports accounted for 26.6 percent of U.S. consumption of steel in 1984, up from 20.5 percent in 1983, and the industry recorded its third straight year of losses. However, the 1984 loss of \$290 million was less than the \$3.9 billion loss in 1983. Employment continued to drop in 1984, and the 1984 total of 154,000 workers was sharply down from 1983's average of 169,000. The work force is less than one-fourth of peak industry employment of 544,300 in 1943. The steel industry's situation continued to deteriorate in the last two quarters of 1984. Capacity utilization rates fell from 77.4 percent in the April-June 1984 quarter to 61.2 percent in the July-September period and 56.2 percent in the October-December quarter. Production levels and capacity utilization rates improved moderately in the first quarter of 1985, with output reviving to 22 million short tons from 19 million short tons in the final quarter of 1984. Capacity utilization rose to 66.3 percent. But employment failed to increase, remaining at the 154,000 level, and import penetration stood at 27.6 percent. 1/

By mid-May 1985, the Administration had finalized negotiations on the specific terms of restraint agreements with Japan, Korea, Brazil, Spain, Australia, Finland, Mexico, and South Africa. These VRA's are to cover steel imported during the 5-year period beginning October 1, 1984. Most finished steel product lines will be covered, including product lines on which the Commission made a negative injury determination and some product lines for which section 201 relief already exists. The administration is continuing to consult with other smaller suppliers with respect to possible additional VRA's. Imports from supplying countries for which VRA's have not been negotiated--including Canada, Sweden, Austria, Venezuela, Taiwan, and several other European countries--will be monitored by the USTR. 2/

UNITED STATES-ISRAEL FREE TRADE AREA AGREEMENT

The administration recently submitted an accord to Congress to eliminate all tariffs between the United States and Israel by 1995. This bilateral free trade area (FTA) agreement, the most comprehensive that the United States has reached with any country, would eliminate tariffs and nontariff barriers on virtually all trade between the two countries. 3/ The major purpose of the agreement is elimination of custom duties between the two trading partners. According to the USTR the current \$3.7 billion trade between the United States and Israel could quadruple within 3 years as a result of the agreement. 4/

1/ U.S. International Trade Commission, Monthly Report on Selected Steel Industry Data, USITC Publication No. 1700, May 1985, based on data from the American Iron & Steel Institute and the U.S. Department of Commerce.

2/ Office of the United States Trade Representative, "Brock Announces Successful Steel Negotiations," Press Release No. 84/26, Dec. 19, 1984.

3/ An FTA is a bilateral agreement in which each country removes trade barriers with respect to the other. Under article XXIV of the GATT, signatories may establish an FTA if the agreement eliminates duties and other trade restrictions on "substantially all trade" and does so in a "reasonable" length of time. An FTA deviates only from the GATT most-favored-nation obligations and not from the entire document.

4/ Stuart Auerbach, "U.S., Israel sign trade agreement," The Washington Post, Apr. 23, 1985, p.C4.

Background

The Israeli Government first proposed the idea of a United States-Israel FTA in 1981, but formal negotiations toward establishment of an agreement did not begin until 1984. Passage of the Trade and Tariff Act of 1984 provided the administration with authority to conclude such an agreement with Israel and also provided for "fast track" Congressional review. The document was initialed in early March by both countries and was signed on April 22, 1985. 1/ It has been approved by the Israeli Cabinet and, although not required by Israeli law, the Knesset. On June 11, 1985, the President signed the legislation implementing the agreement in the United States.

The proposed FTA relies on the framework of rights and obligations under the General Agreement on Tariffs and Trade. The FTA and GATT are intended to be read together; if the FTA does not address an issue or specifically modify the relevant GATT provision, the GATT provision will apply. Moreover, the FTA covers areas that have yet to be incorporated into the GATT, such as trade in services, intellectual property rights, and trade related performance requirements.

Both countries believe they will benefit from the FTA. In 1982, the base year for the negotiations, the United States exported \$1.6 billion to Israel and imported about \$1.2 billion. (See table 1.) Although about 90 percent of Israel's products already enter the United States duty free, either on a most-favored-nation (MFN) basis or under GSP, Israel hopes to gain greater stability in its exports to the United States under an FTA. Not only would the remaining 10 percent of its exports have duty-free access, but Israel will have the advantage of binding the GSP portion at zero regardless of any future changes the United States may make in its GSP program. Major U.S. imports from Israel include cut diamonds, jewelry, cut flowers, tomato products, resistors, internal combustion engines, and high fashion apparel such as swimwear. Conversely, although many U.S. exports to Israel also receive MFN duty-free treatment, about 40 to 45 percent of U.S. exports to Israel are currently dutiable. In 1982, these exports faced Israeli tariffs averaging about 10.3 percent. 2/

U.S. products are increasingly at a competitive disadvantage in Israel's \$8 billion market vis-à-vis those of the European Community as a result of the EC-Israel FTA. 3/ In the absence of a United States-Israel FTA, the tariff

1/ The signing was followed by Congressional consideration of the implementing legislation on a fast-track process. Under these expedited procedures, once the legislation is formally submitted to Congress, it cannot be amended and action must be taken within 60 legislative days.

2/ Statement of Robert Lighthizer, Deputy USTR, before the Subcommittee on Trade, House Committee on Ways and Means, on proposed United States-Israel Free Trade Area, May 22, 1984.

3/ Under the terms of the EC-Israel FTA, imports of industrial products from Israel were granted duty-free entry after July 1, 1977, except for certain sensitive products on which full EC concessions were delayed until Dec. 31, 1979. Israel eliminated duties on about 60 percent of its industrial imports from the EC in five stages by Jan. 1, 1980. Duty-free treatment for the remainder of industrial imports was originally scheduled to be phased in by 1985, with two possible 2-year extensions granted to Israel at specific stages. Israel has asked for both of these extensions and will eliminate duties on all EC industrial products by Jan. 1, 1989.

Table 1.--Summary of U.S. Trade with Israel, 1982 1/

Item	Value	Percent
	<u>1,000 dollars</u>	
U.S. imports from Israel:		
Total U.S. imports from Israel-----	\$1,162,129	
MFN free-----	640,731	55
Of which diamonds-----	(412,036)	
GSP free-----	403,478	35
MFN dutiable-----	117,919	10
U.S. exports to Israel:		
Total U.S. exports to Israel-----	\$1,528,792	
MFN free-----	334,000	22
MFN dutiable-----	354,000	23
GSP understanding-----	354,000	23
less GSP understanding GATT		
bound.	(198,000)	13
Total unbound imports <u>2/</u> -----	705,000	45
(free and dutiable)		

1/ Figures exclude military trade.

2/ Israel estimates approximately \$400,000 in the U.S. agricultural products entered Israel duty free in 1983 through government purchase.

Source: U.S. Congress, Hearings before Subcommittee on Trade of the Committee on Ways and Means, on Proposed U.S.-Israel Free Trade Area, May 22 and June 13 and 14, 1984, Serial 98-72.

differential between European and U.S. goods would have continued to increase over the next few years as final Israel tariff concessions to the EC are phased in. The FTA will give U.S. producers the opportunity to compete on an equitable basis with EC and Israeli producers in the Israeli market. This is particularly important for U.S. producers of industrial equipment, high-technology products, and consumer goods. 1/

An advantage the U.S. agreement will have over that of the EC is that it includes not just manufactured goods, but also agricultural products, services, and investments. At present the most significant dutiable U.S. exports to Israel are motor vehicles, electrical goods and apparatus, kraft paper, synthetic yarns, automated data processing machines, fasteners, medical apparatus, and controlling instruments. (See app. tables A-1 and A-2 for leading items of trade between the United States and Israel.)

1/ Statement of Doral S. Cooper, Assistant USTR, before the Subcommittee on Trade, House Ways and Means Committee, Hearings on United States-Israel Free Trade Area, Mar. 6, 1985.

The increased trade that will occur as a result of the FTA agreement will be within the context of existing multilateral obligations of both Israel and the United States; existing U.S. antidumping or countervailing duty laws will continue to apply to Israeli imports. While Sections 201 and 301 of the Trade Act of 1974 also will not be affected by the FTA, the agreement does spell out the conditions under which duties can be applied as a result of escape clause actions.

Overview of the FTA Agreement

The agreement consists of a preamble, 23 articles and 4 annexes.

Staged elimination of import duties

The major purpose of the agreement is elimination of customs duties between the two trading partners. This will be accomplished according to several principles: (1) all commercial products are covered by the agreement; (2) duties on a limited number of import sensitive goods will be phased out, in stages, over ten years; (3) on most industrial products, U.S. goods will receive equal treatment with products from the EC, and (4) Israel will remain eligible for GSP until all stages are implemented.

In determining the categories, both countries considered the import sensitivity of individual products during the negotiations. From the U.S. perspective, in general, those products for which no particular sensitivity in the context of U.S. bilateral trade with Israel was found were placed in category I. Those products for which there may be general sensitivity in the United States, but which are not likely to be produced competitively in the short term in Israel are, in most cases, in category II, with duties to be eliminated by 1989.

Products that are more import-sensitive than those in category II, but that were not specifically identified by the USTR (based on information provided by the Commission) as "most sensitive," are in category III. 1/ Category III products include textiles and apparel, certain horticultural products (such as artichokes and avocados), and certain bromine compounds. Finally, those products identified by the USTR as most sensitive are in category IV, or the "freeze" category. The USTR identified 7 categories of most-sensitive products: certain categories of olives, dehydrated onions and garlic, citrus fruit juices, cut roses, certain bromine products, and certain gold jewelry. 2/ Israel's list of most-sensitive items includes garlic, olives, dates, grapes, apples and apricots, unmanufactured tobacco, certain dairy products, refrigerators, refrigeration equipment, aluminum bars, and radio-navigational equipment. 3/ The phasing out of customs duties will be accomplished by January 1, 1995, according to the four categories of products, each of which will follow a different staging pattern:

1/ In 1984, the Commission conducted a study to determine the probable economic effect of providing duty-free treatment for imports from Israel on industries in the United States producing like or directly competitive articles and on consumers. The results of this investigation were transmitted to the USTR but the study itself remains confidential.

2/ Statement of Assistant USTR, Doris S. Cooper before the House Ways and Means Committee, on U.S.-Israel Free Trade Area Agreement, March 6, 1985.

3/ Office of U.S. Trade Representative.

Category I--Duties on products in this category will be eliminated immediately upon implementation of the agreement.

Category II--Duties on products in this category will be eliminated by January 1, 1989. Category II products will fall into 3 groups: (1) products on which Israeli duties on imports from the EC will reach zero by 1989, (2) the majority of products on which U.S. duties will be reduced as a result of Tokyo Round Multilateral Trade Negotiation (MTN) concessions; and (3) all other products in category II. When the FTA is implemented, Israeli duties on products in the first group will be reduced to the level of duties applicable to goods from the EC. Simultaneously, U.S. duties on products in the second group will be cut to the final Tokyo Round rate. Duties on products in the third group generally will be cut by both countries by 20 percent. These rates will then become the base rates for duty reductions of 60 percent on January 1, 1987, and 40 percent on January 1, 1989. 1/

Category III--Duties on products in this category will be eliminated, in eight steps, by January 1, 1995. A reduction of 20 percent will become effective upon implementation of the FTA. Reductions of 10 percent will be made on January 1 of each of the following 5 years. On January 1, 1992, a 20-percent reduction will become effective, and the final reduction of 10 percent will be made on January 1, 1995. 2/

Category IV--Products in this category have been identified by both countries as most sensitive within the context of the agreement. Duties on products in this category will remain unchanged until January 1, 1990. Before that date, a formula for reducing tariffs will be devised following receipt of advice from the relevant industry groups and government agencies. Duties on these products will be eliminated by 1995.

Table 2 summarizes the value and percentage of trade to be liberalized in each stage of duty reductions for both the United States and Israel. Thus, for the United States, the cumulative value of trade to be liberalized under the agreement (based upon 1982 trade) is \$515 million. For Israel, the cumulative value of trade to be liberalized is \$1,278 million.

Other key provisions of the agreement

In addition to establishing a tariff regime (described above) different from that contained in the U.S. concessions under GATT, the FTA contains other provisions which differ from existing provisions in the GATT that would otherwise apply.

1/ For example, the reduced duties for item TSUS 100.35 (asses and burros) are as follows: Sept. 1985--12 percent; Jan. 1, 1986--12 percent; 1987--4.8 percent; Jan. 1, 1989--duty free.

2/ For example, the reduced duties for TSUS 300.60 (yarns of cotton) are as follows: Sept. 1985--9.6 percent; 1986--8.0 percent; 1987--6.5 percent; 1988--5.4 percent; 1989--4.3 percent; 1990--3.2 percent; 1992--1 percent; 1995--duty free.

Table 2.--Trade in each stage of duty reductions

Stage	U.S. imports from Israel		Israeli imports from the United States	
	Value 1,000 dollars	Share of total Percent	Value 1,000 dollars	Share of total
I. Immediate-----	\$414.7	80.5	\$670.8	52.5
II. 1989-----	27.8	5.4	402.8	31.5
III. 1995-----	4.7	0.9	39.5	3.1
IV. Freeze-----	67.9	13.2	164.4	12.9
Total-----	\$515.1	100.0	\$1,277.5	100.0

Source: Statement of Doral S. Cooper, Assistant USTR, before the House Ways and Means Committee, Hearings on United States-Israel Free Trade Area Agreement, Mar. 6, 1985.

Safeguards (art. 5)

Either country may take action if imports from the other threaten serious injury to domestic producers. U.S. laws providing remedies against unfair trade practices, for example, and antidumping and countervailing duty laws remain unchanged by the FTA.

Infant industry (art. 10)

This provision limits Israel's right to apply protective measures to benefit infant industries. The FTA allows Israel to impose customs duties until 1991 on goods not produced in Israel when the FTA is implemented. The duties may not exceed 20 percent and, 2 years after imposing the duties, the tariffs on U.S. products must be reduced by at least 5 percent per year. All duties must be eliminated by January 1, 1995.

Balance of payments (art. 11)

Both partners may exercise their GATT right to take temporary measures when threatened by a serious balance-of-payments situation. The FTA limits this right, however, by requiring consultations with the partner and by putting strict limitations on the use of quantitative restrictions and other measures such as import deposits and surcharges.

Areas also covered by GATT codes

The FTA agreement addresses three trade issues that are the subject of GATT codes:

- o Subsidies (annex 4).--Israel will eliminate its export subsidy programs within 6 years and will accede to the GATT Subsidies Code.

o Licensing (art. 12).--The agreement restricts the GATT right to require import licenses, but it does permit licensing in certain instances, for example, to protect public safety or to enforce standards. Both countries will submit, and update as necessary, their list of imports subject to licensing.

o Government procurement (art. 15).--Both countries are parties to the GATT procurement code that provides for the waiver of "buy national" restrictions on a reciprocal basis for a variety of purchases. Under the FTA, the United States and Israel agree to a further elimination of government procurement related trade restrictions. Thus, the FTA will allow Israeli and U.S. suppliers to compete with domestic companies on certain purchases by lowering the threshold for application of the GATT code from \$156,000 to \$50,000. Israel also agrees to eliminate "buy national" restrictions with regard to purchases of nonmilitary products by its Ministry of Defense and to relax the offset requirements on civilian government purchases.

New bilateral rights and obligations

The FTA provides for certain new bilateral rights and obligations:

o New trade restrictions (art. 4).--This article provides that no new trade restrictions may be applied bilaterally except as permitted by the FTA or GATT.

o Agriculture (art. 6).--The FTA calls for opening markets for agricultural products while recognizing the necessity of retaining certain restrictions. Agricultural products are therefore included in the agreement, but restrictions based on agricultural policy considerations can be maintained. Both countries will publish quotas for the importation of products subject to these restrictions.

o Kosher Laws (art. 8).--Israel has the right to impose, on the principle of national treatment, import restrictions for the purpose of its kosher laws.

o Export requirements (art. 13).--Most issues of interest to investors are currently covered by the United States-Israel Treaty of Friendship, Commerce and Navigation (FCN): for example, equal treatment under the law with domestic investments, and expropriation only for public purposes and with compensation. Under the agreement, all rights and obligations of the FCN remain; however, the FTA specifically stipulates that requirements to export or purchase domestic goods and services will not be a condition for investment or for receiving investment incentives.

The agreement also includes provisions that create consultation mechanisms, set out rules of origin, encourage cooperation, and reaffirm bilateral and multilateral trade commitments.

o Services (art. 16).--Services are covered in the FTA by a "Declaration on Trade in Services." Under this provision, both parties only agree that they "recognize the importance of trade in services and the need to maintain an open system of services exports which would minimize restrictions on the flow of trade between the two nations." Although this declaration is not legally binding, both sides have agreed to continue talks under the FTA umbrella to strengthen their commitment to free trade in services. The FTA is the first trade agreement ever negotiated to explicitly cover a full range of trade in services. The agreement commits each partner to work toward opening its markets to the other's service industries and to provide the same treatment as is given domestic companies. The FTA also seeks to make information on laws and regulations affecting services open and readily accessible.

o Rules of origin (annex 3).--To qualify for FTA treatment, products must be of U.S. or Israeli origin. The rules of origin governing products eligible for FTA benefits are similar to the CBI rules: the product must be imported directly from the exporting country and contain at least 35 percent local value added. Up to 15 percent of the 35 percent can originate in the importing country. Products that are merely packaged, combined, or diluted in the exporting country are not eligible.

o Consultation and dispute settlement (art. 17).--A Joint Committee, chaired by the United States Trade Representative and the Israeli Minister of Industry and Trade, will be established to oversee implementation of the FTA, to hold consultations, and to review the declaration on services. It will also provide a mechanism for the resolution of bilateral disputes. If at any time either partner believes that the dispute process has not resulted in a satisfactory solution to a dispute, they retain their right to retaliate by withdrawing concessions or to terminate the agreement.

CHAPTER II

THE GENERAL AGREEMENT ON TARIFFS AND TRADE AND THE TOKYO ROUND AGREEMENTS

INTRODUCTION

In 1947, the General Agreement on Tariffs and Trade was formed to advance free market principles based on the concepts of nondiscriminatory treatment and liberal market access in trade among nations. It is both a multilateral agreement and an organization. 1/ Successive reforms have molded the GATT into a comprehensive set of rules governing most aspects of international trade and a forum to address disputes among trading partners. 2/ Seven rounds of multilateral trade negotiations, under the auspices of GATT, have significantly lowered world tariff levels and have accompanied a ninefold increase in the volume of international trade.

Among the results of the 1973-1979 Tokyo Round negotiations are six agreements establishing rules of conduct governing the use of nontariff measures and three sectoral agreements to liberalize trade in civil aircraft, bovine meat, and dairy products. Nontariff barriers (NTB's) were perceived by both the United States and its trading partners as the greatest obstacles remaining to the expansion of international trade after the tariff cuts of the Kennedy Round. For this reason, these agreements are frequently considered the most significant accomplishments of the Tokyo Round.

GATT ACTIVITIES DURING 1984

The GATT pursued work on a broad array of trade topics in 1984. Discussion on a proposed new round of trade negotiations intensified and activities on the work program outlined in the 1982 Ministerial Declaration continued. 3/ In order to assist the reader in understanding the content of this chapter, the chart in figure 1 presents the organizational structure of the GATT.

1/ The original framers of the GATT envisioned formation of a body called the International Trade Organization to complement the trade agreement. This proposal failed, however, so the acronym of the agreement has commonly been used to refer to the organization administering it and to the whole of trade-related activities carried out under its auspices. The term General Agreement refers solely to the actual legal document.

2/ The most recently negotiated tariff reductions are contained in the 1979 Geneva Protocol and the Supplementary Protocol, the major part of which are implemented through annual staged duty reductions that started Jan. 1, 1980, and will end on the same date in 1987. Prominent among the numerous deviations from this process are (1) U.S. and EC textile and steel concessions, given six stages which began Jan. 1, 1982, and (2) Japan, whose regular annual reductions occur Apr. 1 of each year.

3/ For a lengthy description of the 1982 Ministerial-level session of the GATT Contracting Parties, see the Operation of the Trade Agreements Program, 34th Report, 1982, (United States International Trade Commission Publication 1414, 1983, p. 14).

The Council and Contracting Parties

Administration and governance of the GATT are conducted by the Contracting Parties (CP's) and the Council of Representatives (the Council). The CP's meet annually to oversee the operation and direction of GATT. This annual session is a forum for review of GATT activities pursued during the preceding year and for decisions on work for the following year. In the interim, the Council oversees virtually all GATT activities and acts on behalf of the CP's on both routine and urgent matters. Proposals that are particularly controversial, as well as those in the formative stage, are debated at Council meetings until consensus on a course of action is reached. Work is then parceled out to committees or specially created bodies.

At the 1984 annual session, the CP's adopted decisions on the future course of GATT action on a number of issues related to the 1982 Ministerial Declaration, most notably services, counterfeiting, and dispute settlement. Also, the CP's approved the report of the working party established to examine the U.S. request for a waiver of its obligations under article II of the GATT. The waiver would allow the United States to give preferential duty-free treatment to certain Caribbean nations. During 1984, the Council also directed the bulk of its attention to implementation of the Ministerial work program. In November 1984, China was granted observer status to attend Council meetings.

U.S. Caribbean Basin Initiative waiver request

In November 1983, the CP's set up a working party to consider the U.S. request for a waiver under article XXV:5 1/ permitting duty-free treatment of certain goods to be imported from designated Caribbean countries. This waiver would authorize preferential duties under the Caribbean Basin Economic Recovery Act, commonly referred to as the Caribbean Basin Initiative, aimed at revitalizing the economies of designated countries through trade, tax, and assistance measures. The act went into effect in January 1984. The waiver was requested for the life of the CBI program, which expires September 30, 1995. 2/

At its November 1984 meeting, the Council considered the working party's report and a draft waiver designed to encourage transparent implementation of the act and to ensure that the GATT rights of other CP's would not be

1/ Art. XXV addresses joint action by the CP's and provides that in exceptional circumstances the CP's may waive an obligation imposed by the General Agreement if the decision is approved by two-thirds of the votes cast and that this two-thirds comprises more than half of all CP's. In this case, a waiver would exempt the United States from the obligation of granting all its trading partners tariff treatment on certain products equal to that accorded nations in the Caribbean Basin program, as required under the GATT art. I provision for nondiscriminatory treatment.

2/ The United States argued that a waiver was justified because the CBI program was consistent with the 1979 Decision on Differential and More Favorable Treatment, Reciprocity and Fuller Participation of Developing Countries (the "enabling clause"). It argued further that the program would neither create new barriers nor impede the trade of any CP's, but provide a temporary (11-year) extension of one-way, duty-free treatment to most products from Caribbean countries.

impaired. The Council adopted the report of the working party and agreed to forward the proposed waiver to the upcoming session of the CP's.

The CP's did not vote on the waiver during the November session. The usual practice was followed of subsequently distributing ballots by airgram to allow for the participation of all CP's, several of which were not represented at the November session. 1/

Trade in high-technology goods

Throughout 1984, some delegations remained cautious in their attitude toward the U.S. initiative for GATT work in this area. The United States announced at the March 1984 Council meeting that it would begin bilateral consultations on high-technology trade with interested delegations in order to formulate the basis for discussions at future Council meetings. In November, the United States reiterated its concern that protectionist actions increasingly are directed at high-technology goods. While the United States argued that discussions on GATT applicability to problems of trade in this area are important to all GATT members, now and in the future, other members continued to question the urgency and priority of such discussions.

Review of developments in the trading system

In March 1980, the Council agreed to review developments in the trading system at special sessions held during the year. This year, the Council held two such meetings, in part to monitor implementation of provisions of the 1982 Ministerial Declaration calling on member nations to resist protectionist pressures. 2/ These reviews are also linked to efforts to improve the availability of information on national trade policies and measures. During 1984, the Secretariat expanded its reporting of information relevant to the review--including information on nonnotified trade measures such as voluntary export restraints. 3/

During the 1984 reviews, some delegations warned that a trend toward bilateralism is evident in the increasing resort to bilateral trade agreements. Growing frustration with the multilateral system was noted, along

1/ By Feb. 15, 1985, results of the vote had been counted and the CP's had agreed to grant the U.S. waiver request.

2/ Par. 7(i) of the Ministerial Declaration commits CP's to undertake individually and jointly "to make determined efforts to ensure that trade policies and measures are consistent with GATT principles and rules and to resist protectionist pressures in the formulation and implementation of national trade policy and in proposing legislation; and also to refrain from taking or maintaining any measures inconsistent with GATT and to make determined efforts to avoid measures which would limit or distort international trade."

3/ Under regular GATT procedures, members are responsible for notifying GATT of their own national measures, and in some cases they notify measures of other members that affect international trade (also known as cross-notification). Prior to 1983, the Secretariat only cataloged information contained in these notifications.

with greater use of grey area measures. ^{1/} Some GATT members also complained that major trading partners were taking measures that could be interpreted as departures from multilateral obligations. Among the measures noted in such complaints were certain elements of the U.S. Trade and Tariff Act of 1984, a new EC instrument on unfair trade practices by third countries, Japanese measures on imports of leather, and EC measures on butter sales.

Observer status at Council meetings

In 1984, several countries applied for observer status at Council meetings. This action has been considered a precursor to formal application for membership in the GATT; however, since few countries granted observer status have made serious moves toward applying for full membership, discussions were held throughout 1984 on the status and role of observers.

El Salvador, Costa Rica, Algeria, and the People's Republic of China were granted observer status in 1984. The People's Republic of China first requested observer status at the November 1983 Council meeting stating that the request was without prejudice to its position regarding its legal status vis-à-vis GATT. China's accession to the textiles agreement in 1984 is an indication that it is seriously considering applying for full GATT membership. Algeria is a country to which GATT rules are applied on a de facto basis; thus, the status of its request differs from that of other requests in that it may formally accede to the GATT through a simple notification procedure.

Implementation of the Ministerial Work Program

In November 1982, the CP's met in a Ministerial-level session (the GATT Ministerial) and adopted decisions on a wide range of trade issues. These decisions were issued in a Ministerial Declaration that mandated an ambitious program of work. Progress toward concrete measures on a number of Ministerial topics has been impeded by lack of consensus among GATT members on setting priorities and on determining the best course of action. Accounts of activities on some of the leading Ministerial topics follow.

Safeguards

According to the 1982 Ministerial Declaration, a comprehensive understanding on safeguards, often referred to as a proposed Safeguards Code, was to be presented by a Safeguards Committee to the meeting of CP's in 1983. ^{2/} This goal went unfulfilled in both 1983 and 1984. The mandate of the Safeguards Committee was extended for yet another year.

^{1/} Grey area actions, though not precisely defined in GATT discussion, are generally agreed by CP's to be actions affecting trade that do not currently come under the scope of GATT rules or whose application to GATT rules is ambiguous. These actions comprise bilateral arrangements such as voluntary export restraints or orderly marketing arrangements that have quantitative limitations, surveillance systems, price undertakings, or export forecasts. Also included are industry-to-industry arrangements and unilateral actions.

^{2/} The Ministers directed that the understanding on safeguard actions should address such issues as transparency, coverage, criteria for defining serious injury and threat thereof, notification, consultation, surveillance, compensation, retaliation, dispute settlement, duration, phaseout, and structural adjustment.

In spite of ongoing discussions, the CP's have been unable to narrow their differences on a number of central issues. Disagreement as to whether safeguard measures should be applied selectively has not been resolved. Also, the coverage of grey area measures continued to be a major obstacle to finalizing the agreement. Most CP's expressed disappointment that the code on safeguards had not been completed, citing safeguard measures as a prominent means of circumventing principles and obligations of GATT. Despite universal agreement on the need for a safeguards code, wide disagreement persists over some of the fundamental concepts involved. Specific provisions of a code would require continued negotiations among GATT members.

Services 1/

In 1984 the United States was once again unsuccessful in procuring the establishment of a working party on trade in services. The 1982 Ministerial had invited interested CP's informally to submit national examinations of problems in different service industries and to exchange and review the information among themselves. The U.S. report on services was completed and submitted to the GATT in 1983. By the end of 1984, 13 national studies had been submitted.

At the 1984 yearend session of the CP's, the U.S. desire to include services issues under the GATT framework was resisted by the developing countries. Out of the debate, an agreement to discuss these issues more formally within GATT was extracted. The Secretariat has been directed to provide support for the exchange of information and to report developments to the Council. 2/ The CP's agreed to review the results of the examination at the next session, in November 1985.

Trade in counterfeit goods

As directed by the Ministerial Declaration, the GATT has continued to explore whether joint action to address problems of trade in counterfeit goods within the GATT is appropriate and, if so, what action could be taken. After prolonged discussion, agreement was finally reached in November 1983 that the GATT Secretariat would undertake a study of problems in this area. 3/ A draft of the study was circulated in July 1984 to serve as a basis for further informal discussions.

At their 1984 session, the CP's agreed to establish a group of experts to examine the Secretariat document and any other information submitted by interested parties. The group will include a representative from the World

1/ For further analysis of services trade issues, see the services section in chap. III.

2/ The first formal exchange of information on services took place in February 1985.

3/ To investigate questions of GATT jurisdiction in the area of counterfeiting, the GATT Director General held consultations on trade in counterfeit goods with the Director General of the World Intellectual Property Organization (WIPO) in early 1983. It was agreed that the two organizations would cooperate in any undertaking. Although some CP's remain unconvinced, most agree that GATT does have competence concerning the trade impact of counterfeit goods that does not conflict with WIPO jurisdiction.

Intellectual Property Organization (WIPO) and is to report to the Council by November 1985. Although counterfeiting is generally recognized as a problem, progress has been incremental since some delegations are not convinced that the topic warrants high-priority treatment in the GATT.

Exchange rate fluctuations and their effects on trade

In 1984, the International Monetary Fund (IMF) completed a study on this topic as a result of consultations between the GATT Director General and the Managing Director of the IMF. ^{1/} GATT members had requested the study as background for further discussions. Some delegations expressed disappointment that the study did not shed as much light as was hoped for on key questions raised by GATT members. The GATT had sought to focus on the possible effects of erratic exchange rate fluctuations on trade of small and developing countries, on decisions of small traders, and on trade policies. However, the IMF study claimed that little evidence has been found to show a statistically significant relationship between exchange rate variability and trade and suggested that floating exchange rates have facilitated global adjustment in international trade and payments. In November, the CP's agreed to keep the issue under consideration and urged the IMF to consider these factors in its ongoing review of the monetary system.

Problems of trade in natural resource products

As directed by the 1982 Ministerial Declaration, the Secretariat has undertaken background studies of trade problems in certain natural resource products. These studies have examined the relevant tariffs, nontariff measures, and other factors affecting trade. Studies on lead and zinc were completed in 1983 and a working party was set up to begin review of the studies. In 1984, the Secretariat completed studies on copper, fish and fisheries products, and forestry products and forwarded these to the working party. Studies on tin, aluminum, and nickel are scheduled for completion in 1985. Once the working party has revised the completed studies, the Council will examine the results with a view to proposing solutions.

The progress report of the working party was adopted at the 1984 session of the CP's. In this report, the working party stated that it was unable to reach substantive conclusions at this time. Some of the areas of concern pointed out in the report include the exclusion of certain natural resource tariffs from the Tokyo Round tariff cuts, noncoverage or coverage limitations of natural resources in certain GSP schemes, licensing, certificates of origin, tariff escalation ^{2/}, certain customs formalities, quotas,

^{1/} The study has been published as IMF Occasional Paper No. 28, Exchange Rate Volatility and World Trade, Washington, D.C., July 1984.

^{2/} Tariff escalation refers to tariff structures in which duties rise with respect to increasing levels of processing. Accordingly, when duties are higher on particular manufactured goods than those on the semiprocessed inputs, and when duties on the semiprocessed products are higher than those on the raw material inputs, processing industries of importing countries can gain substantial protection even with a small degree of tariff escalation. Developing countries argue that growth of processing industries in countries providing raw materials is thus discouraged.

and certain technical standards. The working party will continue discussions during 1985 in order to draw up its final conclusions.

Quantitative restrictions and other nontariff measures

During 1984, the Group on Quantitative Restrictions and Other Nontariff Measures completed an inventory of existing quantitative restrictions and nontariff measures, which includes information describing the basis for these measures and their conformity with GATT provisions. The group's work program had been broken down into three stages. The first stage consisted of compiling documentation from CP's for the inventory. In the second stage, the group will conduct a detailed review of these measures throughout 1985. Finally, the group plans to present findings and conclusions to the CP's when the review is completed.

Detailed review of information on quantitative restrictions and nontariff measures collected from all CP's began in December 1984, thus marking progress into stage two of the group's work program. Collection of further information will continue concurrently in an effort to improve the quality and uniformity of information already submitted. In its 1984 progress report, the group noted that intensive review will be undertaken before presenting findings to the CP's.

Dispute settlement procedures

In February 1984, the Director General, in the course of delivering a report on the status of panels, noted some of the longstanding difficulties in expediting dispute settlement. These problems included (1) disagreement on panel members, (2) failure of parties to observe agreed deadlines for submission of information, (3) postponement in adopting panel reports, and (4) slow action on implementing panel recommendations. In an attempt to remedy certain of these problems, the CP's adopted a proposal to improve timely formation of panels and to encourage adherence to panel deadlines for submission of information. Other proposals on surveillance of implementation of panel recommendations and on recourse by parties when recommendations are not fully implemented will be considered further by the Council during 1985.

Work on the Committee Agendas

The Consultative Group of 18

The Consultative Group of 18 (CG-18), whose functions are similar to that of a steering committee, provides a smaller and more manageable forum than the Council, one in which important issues can be addressed in greater depth. Its mission is to assist the CP's in formulation and implementation of GATT policies, to identify actual or potential threats to the trading system, and to discuss other broad and general issues, particularly those relating to international economic adjustment. Its membership, consisting of both developed and developing country members, rotates annually. 1/

1/ The CG-18 was established on a temporary basis in 1975 and made permanent in 1979. During 1984, the following countries were members of the CG-18: Argentina, Australia, Brazil, Canada, Colombia, Czechoslovakia, EC for member states, Egypt, India, Japan, Nigeria, Pakistan, Spain, Sweden, Switzerland, Thailand, the United States, and Zaire.

During 1984, the CG-18 considered the impact of subsidies on world trade, structural adjustment, the trade-monetary relationship, and the proliferation of countertrade. Concerning subsidies, the group observed an increasing growth and abuse of their use. Observations of the members of the CG-18 regarding subsidies were forwarded to other committees, such as the one on trade in agriculture, that are examining the issue. In review of discussions held with the World Bank and the IMF, the group observed that to facilitate repayment of debts and the process of economic development, developed countries have a responsibility to liberalize developing countries' access to their markets. Reacting to problems of structural adjustment, members of the group questioned whether the GATT should assume any operational role with respect to trade adjustment policies. Finally, the group reviewed an informal report on countertrade prepared by the Secretariat.

Trade in agriculture

The Committee on Trade in Agriculture, called for in the 1982 Ministerial Declaration, was set up to assess the effect of subsidies and other barriers to agricultural trade (many of which are considered by GATT members to be legitimate rights under the General Agreement). 1/ This assessment was carried out through the consideration of GATT members' submissions describing their agriculture-related measures. The Committee examined agricultural trade measures affecting market access and supplies, related subsidies and other forms of export assistance, and agricultural measures currently in force under exceptions or derogations to the General Agreement. 2/

The work of the Committee has been carried out in several phases. During 1984, the Committee examined those measures affecting trade in agriculture that GATT members had identified in 1983. At its March 1984 meeting, the Committee reviewed the conclusions of a Secretariat report highlighting the important aspects emerging from the examination phase of its work.

Also, the Committee examined in 1984 the operation of the General Agreement regarding subsidies and other forms of export assistance. Towards the end of 1984, the Secretariat prepared draft recommendations on controversial agricultural trade issues. After a series of informal consultations, the Committee agreed on the particular recommendations to be forwarded to the GATT Council and the CP's at yearend. The recommendations were formally adopted by the CP's in November. Among them was one urging that all subsidies, including export subsidies, be brought within the purview of GATT rules and that the existing framework of rules on agricultural trade be improved.

1/ The effect of subsidies was one of the most difficult issues confronted by the committee in 1984 for two reasons. First, initial work on agricultural subsidies and other forms of export assistance revealed that although these measures were controversial, their exact impact on trade was difficult to assess. An equally difficult issue concerned varying interpretations and applications by members of GATT provisions regarding subsidies to the agriculture sector.

2/ Arts. XI, XVI, and XVII, as well as waivers and "grandfather" clauses (legislation enacted prior to accession to the GATT), have been presented frequently by GATT members as justification for agricultural restrictions.

Tariff concessions

At its inception in 1980, the Committee on Tariff Concessions was assigned responsibility for managing tariff matters. According to this mandate, the Committee supervises the implementation and maintenance of schedules of tariff concessions annexed to the GATT. The Committee also hosts discussion on any tariff related questions raised by members. In addition, the Committee oversees certain aspects of the preparations for implementation of the new tariff nomenclature known as the Harmonized Commodity Description and Coding System (the Harmonized System). 1/

Reporting on progress during 1984, the Chairman of the Committee said that submission of looseleaf schedules, a system designed to keep tariff concession information up to date, had advanced slowly. Questions regarding the legal status of looseleaf schedules have also remained on the Committee's agenda.

In 1984, the Secretariat under direction of the Committee, began work on a common data base for use in the renegotiation of tariff concessions under article XXVIII 2/ as national tariff schedules are adjusted to conform to the new Harmonized System. Informal meetings during the year provided the Secretariat with technical advice on the data base. By the end of 1984, several countries had begun preparing tariff schedules for the Harmonized System and exchanged the agricultural chapters of their schedules.

The Committee also discussed problems in evaluating compensation under article XXVIII for trade in new high-technology products. Due to its stake in high-technology trade, the United States has shown interest in this debate. The topic was raised originally in 1983 under article XXVIII by Japan in reaction to EC tariff hikes on compact disc players. 3/ Japan requested a working party on the topic, but the Council agreed that the appropriate forum was the Committee on Tariff Concessions.

Japan argued that the preemptive raising of a tariff rate on a new product had much broader implications than article XXVIII alone. The issue, according to Japan, has serious trade implications for high-technology goods in general and raises questions regarding the proper use of safeguards measures and the application of standards that might not be adaptable to a previously untraded product. Although informal discussions have been conducted between interested parties, no consensus has been reached.

1/According to an agreement finalized in the Customs Cooperation Council, the Harmonized System has been adopted for implementation on Jan. 1, 1987. For more details, see "Customs Cooperation Council" in chap. III.

2/ Much of the work of the Committee revolves around art. XXVIII, which provides for consultation and negotiation on modifications in bound tariffs.

3/ In this debate of importance to trade in high-technology goods (i.e. goods that are frequently new entrants on global markets), the central question concerns the proper application of article XXVIII to cases where the volume of trade in a new product has not reached high enough levels to provide a quantitative basis for negotiations. In such cases, the existing formula for determining compensation might not be adequate.

Trade and development

The Committee on Trade and Development (CTD) is charged with ensuring that issues concerning developing countries are given priority attention, as called for by part IV of the General Agreement. 1/ During 1984, the Committee continued to sponsor examinations of implementation of part IV by GATT members. At their 1984 session, the CP's agreed to ask the CTD to examine questions related to tariff escalation and the trade of developing countries. The subcommittees of the CTD are charged with examining protective measures taken against products from developing countries, the trade problems of least-developed countries, and trade in tropical products.

During 1984, the Committee continued consultations (called for in the 1982 Ministerial Declaration) on implementation of part IV of the General Agreement. 2/ The consultations are designed to assess implementation and encourage governments to consider part IV in forming overall trade policy. Developed countries (including the United States, the EC, and Japan) and a group of developing country members of the Latin American Development and Integration Association (ALADI--which includes Argentina, Brazil, Chile, Columbia, Peru, and Uruguay) engaged in consultations on part IV implementation in 1984. Responsibilities of developing countries with respect to implementation of part IV, particularly with respect to least-developed countries, have been stressed by the United States. Next year, the Committee has agreed to assess whether the consultations should continue on a regular basis.

Protective measures

Examination of protective measures taken by developed countries that affect imports from developing countries is carried out by the Subcommittee on Protective Measures. The Subcommittee functions as a forum for discussion of the measures notified by member countries. Results of the meetings contribute to the regular annual review of implementation of part IV and operation of the enabling clause. The Subcommittee reviewed U.S. measures regarding textiles in September. The representatives of some developing countries expressed concern with U.S. countervailing duty investigations against imports of textile products from certain developing countries. The United States reiterated its position that countervailing duty actions were not protective measures, but legitimate action in response to unfair trade practices.

1/ Part IV, added in 1969, and the "enabling clause," negotiated during the 1979 Tokyo Round, allow special consideration of interests of developing countries. The enabling clause allows developing countries to receive differential and more favorable treatment from other GATT members with regard to (1) tariffs accorded under the GSP, (2) nontariff measures governed by GATT codes, (3) tariffs and, under certain conditions, nontariff measures among developing countries under regional or global trade arrangements, and (4) measures applied to least-developed countries, in particular. The enabling clause also provides for greater adherence by developing countries to the obligations of GATT membership, adherence that is commensurate with each country's level of economic development.

2/ The first round of consultations, initiated in 1983, was held with Finland, Norway, Sweden, Austria, and Hungary.

Least-developed countries

Work of the Subcommittee on Trade of Least-Developed Countries is concentrated in three areas: (1) expansion and diversification of trade of least-developed countries, (2) strengthening of technical cooperation regarding trade, and (3) integration of these countries into the GATT trading system. In 1984, the Subcommittee continued a series of consultations between interested least-developed countries and their trading partners. Tanzania and the Central African Republic were also asked to present information concerning their trade problems to the subcommittee.

Tropical products

Responsibility was assigned to CTD to follow up on the Ministerial Declaration and the initiation of consultations and negotiations on trade in tropical products. The aim of the consultations is to liberalize trade in processed, semiprocessed, and unadulterated tropical products. During meetings held in 1984, many developing countries expressed their disappointment with the results achieved so far in the field of tropical products. They claimed that market access was still hampered by tariff escalation, quantitative restrictions, and other nontariff measures.

Textiles

The Textiles Committee consists of representatives of the parties to the Protocol Extending the Arrangement Regarding International Trade in Textiles (generally known as the Multifiber Arrangement or the MFA III). ^{1/} The purpose of the Committee is to review current developments under the MFA III. Two subordinate bodies--the Textiles Surveillance Body (TSB) and the Subcommittee on Adjustment--assist the Textiles Committee. The TSB was established to supervise the implementation of the MFA. Its functions are to examine all new import restrictions, whether imposed unilaterally or under bilateral agreements, for compliance with the MFA and to provide a forum for dispute settlement. The Subcommittee on Adjustment monitors both autonomous adjustment processes and official policies adopted to facilitate adjustment to changes in world trade patterns. The Subcommittee also analyzes current world production and trade in textiles.

In 1984, the Textiles Committee called two emergency sessions. At issue were three unilateral U.S. actions: (1) changes in internal U.S. textiles trade policy and procedures announced in December 1983, (2) new country-of-origin regulations, and (3) the filing of countervailing duty petitions, alleging subsidization of exports to the United States, against 13 developing countries.

In December 1983, the President established standards to indicate when the import growth in a particular product category is sufficient to trigger a presumption of market disruption. When these standards are met, the Administration is automatically required to review market conditions and to

^{1/} For a discussion of the MFA III, see the section entitled "Arrangement Regarding International Trade in Textiles" in chap. V.

decide whether a call for consultation is appropriate. 1/ Of concern to textile suppliers is the establishment of this new automatic mechanism for determining when market disruption has occurred for the purpose of making calls for restraints. Textile exporters claim that the new guidelines contributed to the large number of U.S. calls in 1984--over 100 calls on more than 20 developing suppliers, the majority of which resulted in additional restraint limits.

Also, U.S. interim country-of-origin rules, effective September 1984, tightened the guidelines determining whether "substantial transformation" has taken place in a third country when parts of the final product are exported from another country. 2/ Designed to limit circumvention of quotas, the new regulations place additional restrictions on the designation of a garment as having been "made" in a specific place if it uses imported components in its manufacture. Hong Kong, the world's leading textile exporter, challenged these new regulations in the TSB. The TSB ruled in December that the new regulations "disrupted" the United States-Hong Kong bilateral accord. In accordance with the TSB's recommendation, the two countries have met several times in 1985 for consultations to resolve the dispute, but little progress has been made to date. 3/

At its regular annual meeting, the Textiles Committee conducted a major review of the operation of the MFA III. The Committee reviewed U.S. unilateral actions and discussed reports submitted by the TSB and the Subcommittee on Adjustment. The TSB report noted that there has been a "more severe application of the MFA's provisions" under MFA III and that "little or no headway has been made in the objectives of achieving the reduction of barriers and the progressive liberalization of world trade." 4/ The Subcommittee on Adjustment noted that the MFA stipulates that textile agreements should not frustrate any process of structural adjustment required by changes in world trade patterns. In assessing the implementation of this provision, the Subcommittee's report summarized and analyzed the adjustment processes taking place in both importing and exporting countries and concluded that, in general, adjustment measures taken were "in line with the objectives" of the MFA.

MFA III will expire on July 31, 1986. In May 1984, a working party on textiles and clothing was formed "to examine modalities of further trade liberalization" after the current MFA has expired. The working party is examining, in particular, the possibility of bringing textile trade back into the regular GATT framework.

1/ A request for consultation to discuss the possible imposition of quantitative limits on a country's textile exports to the United States is referred to as a "call." Calls allege market disruption as a result of textile imports.

2/ Country-of-origin rules were published in final form by the U.S. Customs Service on Mar. 5, 1985.

3/ For another discussion of the new U.S. country-of-origin regulations, see "Arrangement Regarding International Trade in Textiles" in chap. V.

4/ General Agreement on Tariffs and Trade, Textiles Surveillance Body, "Report of the Textiles Surveillance Body to the Textiles Committee for the Major Review of the Operation of the Arrangement Regarding International Trade in Textiles 1984," p. 149.

In 1984, U.S. imports of textiles and apparel continued to grow rapidly, climbing 40 percent over 1983 levels, compared with a 25-percent increase from 1982 to 1983. Developing countries accounted for approximately three-fourths of the 1984 increase. In addition, the 1984 U.S. trade deficit in textile and apparel products reached an all-time high of \$16.4 billion, a 53-percent increase over the 1983 record. Various reasons have been cited for this trend. The strong U.S. dollar has been blamed for decreasing U.S. exports and raising the trade deficit. U.S. officials cite the inability of the MFA to curb import growth. Since the MFA is both product specific and country specific, U.S. imports increased substantially in non-MFA product categories and from countries not subject to restraint levels. 1/

Balance-of-payments restrictions

Under certain articles of the General Agreement, members of GATT can employ import restrictions to correct balance-of-payments difficulties. These restrictions must be monitored, however, by the Committee on Balance of Payments Restrictions. Although quantitative restrictions are generally prohibited by GATT, exemptions under articles XII and XVIII 2/ can be applied in conjunction with consultations with this Committee. Discussion continued this year on means of strengthening the consultative process and improving coordination between the GATT and international financial institutions on balance of payments issues. The Committee holds consultations with CP's who exercise restrictions taken for balance of payments purposes. Both full consultations and consultations under simplified procedures, known as miniconsultations, are undertaken.

During 1984 the Committee held full consultation with Hungary, Korea, Nigeria, Israel, and Portugal. Consultations under simplified procedures were held with Bangladesh, India, Pakistan, Yugoslavia, and the Philippines. The Committee observed that these countries had fulfilled their obligations relative to GATT procedures for balance-of-payments import restrictions.

Consultations were held with Nigeria during March 1984. Nigeria was faced with a serious balance-of-payments problem during the period 1982-1984 and had introduced trade restrictive measures to help correct the problem. Nigerian authorities were encouraged by the Committee to pursue policies of economic stabilization and diversification of production and exports as building blocks toward achieving a more sound external position and the progressive elimination of trade restrictive measures.

1/ For a complete discussion of the MFA bilateral accords and the effect of quantitative restraints on import levels, see The Multifiber Arrangement, 1980-1984 (U.S. International Trade Commission, USITC Publication 1693, May 1985).

2/ Art. XII provides for the implementation of import restrictions by CP's in order to safeguard the balance-of-payments position. Such measures taken by them to "forestall. . . or to stop a serious decline in its monetary reserves" or in the case of low monetary reserves "to achieve a reasonable rate of increase in its reserves" are to be maintained only to the extent that the conditions justify their application and are to be progressively relaxed. In addition, unnecessary damage to the interest of other CP's is to be avoided. Art. XVIII provides for the terms under which developing countries may take these and other measures for the purposes of development in exception to normal obligations under the General Agreement.

In May, consultations were held with Hungary and Israel. With respect to Hungary, the Committee observed that the balance-of-payments situation had improved as a result of the demand management measures the country had taken. The Committee also noted Hungary's efforts to ease the restrictions introduced in 1982 and expressed optimism that Hungary may soon be in a position to announce a timetable for phasing out the remaining restrictions and returning to automatic licensing. On consultations with Israel, the Committee reported to the Council that Israel faced serious balance-of-payments difficulties. It noted that the policies pursued in the recent past had not improved the situation and that measures now being followed give priority to alleviating balance-of-payments problems. The Committee asked the Secretariat to clarify the status of the licensing measures notified by Israel and urged Israel to move toward establishing a time schedule for phasing out the restrictions.

In October, consultations were held with Korea and Portugal. The Committee found that the Korean economy has been recovering in the last few years as a result of the application of sound economic policies. In particular, Korea has succeeded in reducing inflation, maintaining a high rate of growth, and lowering the balance-of-payments deficit. Korea was urged to continue to simplify its import measures so as to allow for greater certainty and predictability in its import regime. In consultations with Portugal, the Committee noted improvement in Portugal's balance of payments in 1983 and 1984 and expected this trend to continue through 1985 as a result of the policy measures being followed. Portugal reported its actions during the year to reduce import surcharges and simplify import licensing procedures. The Committee was satisfied with the Portuguese plan to replace the present 60 percent import surcharge by a value-added tax system to be introduced by mid-1985. Furthermore, Portugal intends to eliminate quantitative restrictions on most products by January 1, 1986, when it joins the EC.

Actions under articles of the General Agreement

Emergency actions on imports (art. XIX)

Article XIX of the General Agreement, also known as the "escape clause," allows GATT members to impose temporary, emergency restrictive trade measures when actual or threatened serious injury to a domestic industry is demonstrated. Since article XIX provides that a concession may be suspended, withdrawn, or modified only "to the extent and for such time as may be necessary to prevent or remedy" the injury, the suspensions are of a temporary nature. Prior notification to the CP's and consultation with exporting countries is required regarding the restrictive measures taken, except when delay of consultation would cause "damage difficult to repair." The bulk of article XIX actions have been taken under this exception, however, with consultations following implementation of the measures. The incentive for the notifying country to consult stems from the built-in right of affected countries to unilaterally suspend "substantially equivalent concessions or other obligations" with or without negotiations.

In December 1984, Canada notified the GATT of article XIX action concerning beef and veal. Under the action, a global import quota was established at 146.5 million pounds, or the equivalent of the 1985 minimum global access commitment agreed to by Canada in the Tokyo Round. The quota will be allocated to supplier countries according to their average 1979-83 market shares.

In 1983, the United States notified the GATT of its article XIX action on the importation of certain specialty steels. Discussions concerning compensation continued through 1983 and 1984. Following these discussions, the EC announced retaliatory measures including import quotas on gymnasium and athletic equipment, snowskis, and guns. At the Council meeting in early February 1984, the United States claimed that the retaliatory measures notified by the EC were excessive. The United States agreed that the EC had the right to retaliate under article XIX, unless the Council disapproved of such action. Although the United States did not ask the Council to disapprove the EC proposals, it did request that the Council extend the time limit to allow for further attempts to bilaterally settle the dispute. Stating that the deadline had already been extended once, the EC did not agree to the U.S. request for further extension. At a special meeting held in late February, the United States announced that high-level meetings between the two countries had resolved their differences concerning the appropriate amount of compensation. As a result, the EC adjusted its retaliatory measures which were implemented on March 1, 1984.

Dispute settlement (Arts. XXII and XXIII)

The General Agreement is based on reciprocal rights and obligations to be maintained in balance. When a country fails to respect a tariff concession or other obligation or engages in a trade practice inconsistent with the GATT provisions, the Agreement allows member countries to seek redress through the dispute settlement procedures of articles XXII and XXIII.

Under article XXII, GATT members may engage in bilateral consultations on any matter affecting the operation of the General Agreement. If consultation does not resolve the dispute, article XXIII(1) provides for a more advanced stage of consultations in which the affected party makes "written representations or proposals to the other contracting party or parties" concerned. When thus approached, a GATT member is required to give "sympathetic consideration to the representations or proposals made to it." If this level of bilateral discussion also fails, the matter is referred to the CP's under article XXIII(2). At this point, the usual procedure is to refer the dispute to a panel of individuals selected from CP's not engaged in the dispute. The panel members are expected to act as disinterested mediators and not as representatives of their governments. In 1984, the CP's also agreed to set up a roster of experts to serve as panelists in cases when disputing parties cannot agree on panel composition under the regular procedures.

After receiving information from all parties to the dispute, the panel first confidentially presents its report to the disputing parties for comment. The report is then distributed confidentially to all CP's prior to presentation at a Council meeting. However, bilateral settlement among parties to a dispute is encouraged at every phase of the process, up until final adoption of a panel report by the Council. Panel reports normally contain suggested remedies that the CP's may choose to adopt as recommendations to the disputing parties. Most often, these remedies counsel elimination of the offending practice. If the GATT-inconsistent practices are not eliminated, the CP's may authorize suspension by the complainant country of "appropriate" concessions; this authorization is not often granted. According to the final paragraph of article XXIII, after such suspension by the complainant, the offending country also has the right (within 60 days) to withdraw from the GATT.

Consultations

During 1984, GATT members held article XXII consultations, which are relatively informal, on a variety of issues. A number of the notable consultations involved the United States and the European Community. For example, the EC requested article XXII consultations with the United States on the U.S. measures on steel pipes and fittings. In January, the EC reported that a satisfactory arrangement with the United States had been reached on the topic. Also, the EC continued to pursue its request for examination of Japanese measures affecting the world market for copper ores and concentrates. The controversy on the U.S. domestic international sales corporation (DISC) law (see sec. on panel followup) may be alive again in the form of a debate over the recently enacted Foreign Sales Corporation (FSC) law. In January 1985, the EC requested article XXII consultations with the United States on the FSC legislation that replaced the DISC program ruled GATT inconsistent by the CP's.

Article XXIII(1) consultations are the next and more formal step in the dispute settlement process. Two article XXIII(1) consultations, which had not reached the panel (art. XXIII(2)) stage by the end of 1984, are described below.

Australian complaint on the EC beef and veal regime.-- In November 1984, Australia requested consultations with the European Community under article XXIII:1. Australia claimed that the operation of the European Community's beef and veal regime had impaired benefits under the General Agreement. The European Community informally agreed to these consultations, which were expected to begin before the end of the year. Although it hoped that a satisfactory solution could be achieved, Australia reserved its right to bring this matter before the CP's again under the relevant provisions of the General Agreement.

EC complaint on Chilean dairy product import measures.--In October 1983, the EC requested consultations under article XXIII(1) with Chile on the subject of minimum import prices for calculating ad valorem duties, and increases in specific duties in addition to ad valorem duties applicable to imports of dairy products into Chile. The EC felt that the measures in question were incompatible with the the General Agreement. Consultations held March 28, 1984, yielded no satisfactory solution. Since then, the two countries have continued further consultations under article XXIII(1).

Panels requested by the United States

Canada's Foreign Investment Review Act.--In March 1982, a panel was set up to examine the U.S. complaint concerning Canada's Foreign Investment Review Act (FIRA). The United States argued that the act led to discriminatory practices. The panel report, adopted by the Council in February 1984, suggested that "there may be scope for adapting the administration of the Foreign Investment Review Act in such a way as to remove the implication that imported products are treated less favorably than domestic products." In agreeing to adopt the report, Canada indicated that implementation of the legislation would be adjusted so as to comply with the panel findings. 1/

1/ For more details of this dispute and the panel report, see the Operation of the Trade Agreements Program, 35th Report, 1983, p. 69.

EC subsidies on canned fruit and raisins. 1/--A panel was established in March 1982 in response to the U.S. complaint that the EC subsidizes the production of canned peaches, canned pears, and raisins. The United States argued that benefits resulting from tariff concessions negotiated on these products and on fruit cocktail were being impaired and nullified by the subsidies. During previous consultations, the United States alleged that the subsidies were causing and threatening to cause further disruption of U.S. exports of these products to EC member states. Since this case tackled the extremely sensitive issue of EC policies on agricultural subsidies, the EC appeared to prefer a bilateral settlement. The panel report, after several rounds of negotiation and revision, was finally issued in July 1984. Subsequent attempts at a bilateral settlement also have proven unsuccessful.

Japanese import restrictions on leather. 2/--In April 1983, the Council agreed to establish a panel on a U. S. complaint about Japanese leather import restrictions. Pressure to resolve the case bilaterally continued even throughout the panel phase, since Japan claimed the case revolved upon sensitive social and political issues. 3/ The two governments continued negotiations into 1984, although the panel findings were submitted to the Council in March. In May 1984, the GATT Council finally adopted the panel report. The panel concluded that Japan's quantitative restrictions on imports of leather violated GATT rules on the elimination of quantitative restrictions (art. XI) and suggested that the CP's urge Japan to eliminate its quantitative restrictions.

EC tariff preferences on citrus products. 4/--In 1984, the report of the panel examining this U.S. complaint was completed. Following a further unsuccessful attempt at bilateral settlement, the report was slated for Council consideration in March 1985. 5/ In bilateral consultations taking place between October 1980 and April 1982, the United States contended that EC tariff preferences on imports of citrus products from Mediterranean countries violated MFN obligations and thus nullified and impaired benefits to the U.S. of negotiated tariff concessions. The United States argued further that the preferences were pervasive, since they were extended to 11 Mediterranean countries and to some African, Caribbean, and Pacific countries and applied to 9 citrus products of interest to the United States. The preferences were estimated to result in discriminatory advantage to 85 percent of EC fresh orange imports, to 60 percent of grapefruit, and to 50 percent of lemon trade. 6/ The EC countered that the preferential arrangements were consistent

1/ See also sec. 301 of the Trade Act of 1974, in chap. V.

2/ This dispute is a continuation of a 1979 complaint filed with the U.S. Government under section 301 of the Trade Act of 1974 by the Tanners' Council of America. Bilateral consultations led to an understanding that took effect in 1979 and expired in March 1982. The understanding, which called for quota increases and improved quota-licensing procedures, proved ineffective and the allotted U.S. quotas went unfilled. After further consultations with Japan failed, the United States resorted to conciliation by a GATT panel.

3/ Japan has not argued that its actions are consistent with GATT but that its restrictions are necessary for socioeconomic reasons; i.e. to protect the economically deprived class of people employed in the domestic leather industry.

4/ See also "Enforcement of trade agreements and response to certain foreign practices" in chap. V.

5/ The panel report could not be adopted at this time as a result of EC opposition.

6/ Further background on this case may be found in the Operation of the Trade Agreements Program, 34th Report, 1982, p. 44.

with GATT provisions governing free-trade areas (art. XXIV) and that no evidence of U.S. injury was presented.

Panels examining U.S. measures

EC complaint on the U.S. manufacturing clause.--A panel established in April 1983 examined the EC complaint on section 601 of the U.S. Copyright Act, known as the manufacturing clause. 1/ According to the EC, the manufacturing clause effectively prohibits imports of certain literary material by an American author into the United States, thus violating articles XI and XIII 2/ of the General Agreement. After consultations proved unsuccessful, the EC requested a panel. The report of the panel, concluding that the U.S. manufacturing clause was inconsistent with GATT provisions, was adopted by the council in May 1984.

Nicaraguan complaint on U.S. sugar quotas.--A panel was established in July 1983, at the request of Nicaragua, to investigate U.S. reduction of quotas on sugar imported from Nicaragua. 3/ Earlier consultations under article XXIII(1) had yielded no satisfactory results. Nicaragua argued that the quota reduction was unilateral, discriminatory, and violated the principles contained in article II 4/ and article XIII of the General Agreement. Also, Nicaragua noted that reasons put forth by the United States as justification for the measure were not economic reasons. In response, the United States claimed that the measure was not inconsistent with the Agreement; that the dispute would require a political solution, and that a GATT panel was not the appropriate vehicle to resolve the security and political issues involved.

The report of the panel was adopted in March 1984. The report concluded that reduction of the sugar quota allocated to Nicaragua by the United States for fiscal year 84 was inconsistent with the nondiscrimination clause of the

1/ This act prohibits imports into the United States of "nondramatic literary works" in the English language by American authors except for those imported from Canada. In 1982, legislation extending the expired manufacturing clause was passed by Congress. A Presidential veto of the legislation was overridden by Congress. Some version of this clause has accompanied the U.S. Copyright Act since its enactment in 1891 to protect the nascent domestic printing industry.

2/ Art. XI contains the rules for, as well as certain exceptions to, the general elimination of quantitative restrictions. Art. XIII outlines the rules for nondiscriminatory administration of those quantitative restrictions that are maintained under exceptions of the Agreement.

3/ In May, President Reagan announced that quota allocations for imports of sugar would be reallocated, beginning October 1, 1983, and extending through September 1984. The quota for Nicaraguan sugar was reduced from 58,000 to 6,000 short tons. The balance was redistributed to Costa Rica, El Salvador, and Honduras, with Honduras receiving the largest share. Reasons for the actions were contained in a press release made available to GATT delegations. These reasons included the U.S. desire to reduce the resources available for Nicaragua for financing military buildup and subversion in the region, and the U.S. commitment to stability in the region. The press release closed saying that the action did not fundamentally change the overall sugar program, as quotas were unchanged for all countries but the four concerned.

4/ Art. II provides the rules for maintenance of the schedules of negotiated tariff concessions.

GATT. However, the United States has not carried out the panel recommendations which were adopted by the CP's, arguing that it could only withdraw the measure within the context of solutions to its broader dispute with Nicaragua.

Cases among other countries

EC complaint on certain practices of a Canadian provincial (Quebec) liquor board.--The importation, distribution, and sale of alcoholic beverages in Canada is controlled by provincial liquor boards. The EC alleged certain practices of the Quebec liquor board, in particular a markup to the sale price of alcohol, as well as other forms of restriction and discrimination, are unfair under GATT. As a result, the EC claimed the Quebec liquor board actions resulted in imports receiving less favorable treatment than domestic products.

In 1984, the EC conducted bilateral consultations with Canada under article XXIII(1) of GATT on this issue. Since no satisfactory solution was reached, the EC has formally requested that the matter be referred to panel settlement under article XXIII(2).

South African complaint on Canadian (Ontario) sales tax.--The dispute between South Africa and Canada began in May 1983 when the Provincial Government of Ontario exempted Canadian Maple Leaf gold coins from the 7 percent Ontario retail sales tax, but did not exempt imported gold coins from the tax. South Africa claimed that sales of the Kruggerand gold coins declined steadily after introduction of this measure. Extended negotiations between Canada and South Africa failed to yield results. Consequently, in July 1984 South Africa formally requested article XXIII(1) consultations. After these consultations with Canada proved unsuccessful, South Africa requested, in October, that the CP's establish a panel under article XXIII:2.

Finnish complaint on New Zealand's duties against imports of electrical transformers.--In February 1983, New Zealand imposed provisional antidumping duties against exports of Finnish electrical transformers that Finland asserted were imposed improperly. Article XXIII(1) consultations requested by Finland were terminated by June 1984, with no satisfactory solution having been reached. The Finnish Government claimed that the provisions of article IV of the General Agreement had been violated. In September 1984, the Finnish Government requested panel settlement of the dispute.

Followup on panel reports adopted prior to 1984

EC France) quotas against certain products from Hong Kong.--In December 1981, the United Kingdom complained (on behalf of Hong Kong) that France maintained quantitative restrictions not justified by any GATT provisions against various products imported from Hong Kong. In July 1983, the Council adopted the report of the panel and the recommendation that France terminate the relevant quantitative restrictions.

Followup on the recommendations proceeded slowly throughout 1983 and 1984. The United Kingdom informed the Council in November 1983 that France still had not lifted restrictions on any of the eight affected product categories. In 1984, the EC notified the GATT of article XIX (escape clause)

action on digital quartz watches, one of the most important product categories concerned. The article XIX action provided GATT justification for continuation of quotas on this item; quotas on most other relevant product categories had been lifted by yearend.

U.S. domestic international sales corporation (DISC) legislation.-- Legislation amending the DISC program and implementing an alternative designed to comply with GATT provisions was passed by the U.S. Congress in 1984. 1/ Although the panel reviewing the compatibility of the DISC with the GATT completed its work in 1981, followup on the panel's report continued until 1984 due to slow progress in U.S. efforts to pass new legislation. In the interim, the EC had pushed for work to begin on evaluating injury and compensation. Although many countries supported the EC proposal, the Council postponed action, arguing that the final legislation must be examined prior to determining compensation. The EC has now requested consultations on the effects of the new program that replaced DISC.

Negotiation on modification of schedules (art. XXVIII)

Article XXVIII provides a mechanism by which a CP may modify or withdraw tariff concessions. The CP wishing to take this action must enter into negotiations not only with the party with which the concession was initially negotiated, but also with other parties with a principal supplying interest in the products concerned, and consult with other CP's which have a substantial interest. The article is based on the principle of compensatory adjustment in the tariffs on other products to maintain a balance of concessions. 2/ Negotiations on the adjustments to a country's GATT schedule, which will be necessary when it adopts the Harmonized System tariff nomenclature, will be conducted under this article. Its provisions are also used when a tariff item is generally adjusted or a product is reclassified for administrative reasons.

During 1984, the United States continued negotiations with several countries that had notified article XXVIII adjustments. These countries included Brazil, Sweden, India, Australia, and Canada.

Accessions to the GATT (arts. XXVI and XXXIII) 3/

No new contracting parties were admitted to the GATT in 1984. The total number of CP's currently stands at 90. A full list of GATT membership is presented in the following tabulation.

1/ For further details on the DISC program, see the Operation of the Trade Agreements Program, 34th Report, 1982, p. 39.

2/ Art. XXVIII states that "in such negotiations and agreement, which may include provision for compensatory adjustment with respect to other products, the Contracting Parties concerned shall endeavor to maintain a general level of reciprocal and mutually advantageous concessions not less favorable to trade than that provided for in this Agreement prior to such negotiations."

3/ Art. XXVI states that "if any of the customs territories . . . possesses or acquires full autonomy in the conduct of its external relations . . . such territory shall, upon sponsorship through a declaration by the responsible contracting party establishing the fact, be deemed a contracting party." Nations not in this category must accede under the procedures of article XXXIII. Art. XXXIII contains the normal procedures for accession under which the CP's may accept the accession of a new member by a two-thirds majority vote.

GATT Membership as of December 31, 1984Contracting Parties to the GATT (90)

Argentina	Ghana	Pakistan
Australia	Greece	Peru
Austria	Guyana	Philippines
Bangladesh	Haiti	Poland
Barbados	Hungary	Portugal
Belgium	Iceland	Romania
Belize	India	Rwanda
Benin	Indonesia	Senegal
Brazil	Ireland	Sierra Leone
Burma	Israel	Singapore
Burundi	Italy	South Africa
Cameroon	Ivory Coast	Spain
Canada	Jamaica	Sri Lanka
Central African Republic	Japan	Suriname
Chad	Kenya	Sweden
Chile	Korea, Republic of	Switzerland
Colombia	Kuwait	Tanzania
Congo	Luxembourg	Thailand
Cuba	Madagascar	Togo
Cyprus	Malawi	Trinidad and Tobago
Czechoslovakia	Malaysia	Turkey
Denmark	Maldives	Uganda
Dominican Republic	Malta	United Kingdom
Egypt	Mauritania	United States of America
Finland	Mauritius	Upper Volta
France	Netherlands	Uruguay
Gabon	New Zealand	Yugoslavia
Gambia	Nicaragua	Zaire
Germany, Federal Republic of	Niger	Zambia
	Nigeria	Zimbabwe
	Norway	

Acceded provisionally (1)

Tunisia

Countries to whose territories the GATT has been applied and which now, as independent states, maintain a de facto application of the GATT pending final decisions as to their future commercial policy (30)

Algeria	Guinea-Bissau	St. Vincent
Angola	Kampuchea	Sao Tome and Principe
Antigua and Barbuda	Kiribati	Seychelles
Bahamas	Lesotho	Solomon Islands
Bahrain	Mali	Swaziland
Botswana	Mozambique	Tonga
Cape Verde	Papua New Guinea	Tuvalu
Dominica	Qatar	United Arab Emirates
Equatorial Guinea	St. Christopher and Nevis	Yemen, People's Democratic Republic of
Fiji	St. Lucia	
Grenada		

IMPLEMENTATION OF THE TOKYO ROUND AGREEMENTS

The following section describes the implementation and operation of the Tokyo Round agreements (informally referred to as the MTN codes) during 1984, as carried out by their respective administrative committees or councils. 1/ The committees, composed of the signatories of each code, are charged with overseeing implementation of code provisions and meet two or more times a year on a regular basis. Meetings also may be convened in special sessions to address a particular problem raised by a member. The committees address questions on interpretation of code provisions and code-related disputes among signatories. The status of participation in each of the agreements, as of yearend, is shown in table 3.

Agreement on Subsidies and Countervailing Duties

The Agreement on Subsidies and Countervailing Duties, referred to as the Subsidies code, elaborates upon provisions of the General Agreement concerning the use of subsidies and countervailing duties. 2/ It sets guidelines for resort to these measures and establishes agreed upon rights and obligations to ensure that subsidy practices of one party to the agreement do not injure the trading interests of another party and that countervailing measures do not unjustifiably impede trade. 3/

During 1984, Portugal acceded to the code, bringing its membership to 22. 4/ On December 31, 1984, Spain ended the reservation to its code accession, which had allowed a phased approach to aligning certain of its laws with the requirements of the code. 5/ At the end of 1984, the Philippines, Indonesia, Thailand, Turkey, and South Africa were considering accession to the code. 6/

1/ The Tokyo Round agreements entered into force on Jan. 1, 1980, except for those on government procurement and on customs valuation, which entered into force 1 year later. The Customs Valuation agreement, however, was implemented earlier (July 1, 1980) by the United States and the EC.

2/ The formal title of the agreement is The Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the GATT. For a description of the agreement, see the Operation of the Trade Agreements Program, 31st Report, 1979, pp. 45-46.

3/ If one signatory's subsidized exports cause material injury to another signatory's domestic industry, the injured party may either impose countervailing duties to offset the margin of subsidy or request that the exporting country eliminate or limit the effect of the subsidy. The code also allows a signatory to seek redress for cases in which another signatory's subsidized exports displace its exports in third-country markets.

4/ See table 3 for a full listing of this code's membership.

5/ Under this reservation, Spain agreed to introduce a value added tax to replace its cascade tax system by Jan. 1, 1985. Spain had asked the code committee to agree to extend the reservation, but in light of reluctance on the part of code members, Spain went ahead with withdrawal of the reservation.

6/ Early in 1985, Philippines, Indonesia, and Turkey also joined the code.

Table 3.--Signatories to the Tokyo Round agreements:
Status as of December 31, 1984

Countries	Standards	Gov't Procurement	Subsidies	Bovine Meats	Dairy products	Customs Valuation	Import Licensing	Civil Aircraft	Anti-dumping
<u>Contracting parties:</u>									
Argentina-----	A1/			A	A	S1/	S		
Australia-----			A1/	A	A	A	A		A
Austria-----	A	A	A	A	A	A	A	A	A
Belgium-----	A							A	
Belize-----				A					
Brazil-----	A		A	A		A1/			A
Canada-----	A	A	A	A		A1/	A	A	A
Chile-----	A		A				A		
Colombia-----				A					
Czechoslovakia--	A1/					A	A		A
Denmark-----	A1/							A1/	
Egypt-----	A		A	A	S		A	S	A
EC 2/-----	A	A	A	A	A	A	A	A	A
Finland-----	A	A	A	A	A	A	A		A
France-----	A							A	
West Germany----	A1/							A1/	
Greece-----	S							S	
Hungary-----	A1/			A	A	A	A		A
India-----	A		A			A1/	A		A
Ireland-----	A							A	
Israel-----		A							
Italy-----	A							S	
Japan-----	A	A	A	A	A	A	A	A	A
Korea-----	A		A			A1/			
Luxembourg-----	A							A	
Malawi-----						A1/			
Netherlands-----	A							A	
New Zealand-----	A		A1/	A	A	A1/	A		
Norway-----	A	A	A	A	A	A	A	A	A
Pakistan-----	A		A				A		A
Philippines-----	A						A1/		
Poland-----				A	A				A
Portugal-----			A						
Romania-----	A			A	A	A	A	A	A
Rwanda-----	S								
Singapore-----	A	A					A		A
South Africa----				A	A	A	A		
Spain-----	A		A			A1/			A
Sweden-----	A	A	A	A	A	A	A	A	A
Switzerland-----	A	A	A	A	A	A	A	A	A
Tunisia 3/-----	A			A					
United Kingdom4/:	A1/	A1/	A1/	A1/		A1/	A1/	A1/	A1/
United States----	A	A	A	A	A5/	A	A	A	A
Uruguay-----			A	A	A				
Yugoslavia-----	A		S	A		A	A		A
<u>Non-contracting parties:</u>									
Botswana-----						A			
Bulgaria-----				A	A				
Guatemala-----				A1/					
Paraguay-----				Prov.					
Total-----	36	12	22	26	18	24	24	20	22

A: Accepted; S: Signed (acceptance pending)

1/ Reservation, condition, and/or declaration.

2/ The EC is a signatory to all the agreements. Because the Standards agreement and the Civil Aircraft agreement cover matters that go beyond the authority of the EC, each of the EC member states is also a signatory to these agreements.

3/ Provisional accession to GATT

4/ Hong Kong is covered by the United Kingdom accessions in the Standards, Government Procurement, Subsidies, Customs Valuation, Import Licensing, and Antidumping codes.

5/ The United States notification of withdrawal, made in December 1984, became effective Feb. 14, 1985.

Committee activities

Debate in the Committee on Subsidies and Countervailing Measures on a number of issues continues to be characterized by divergent views among parties as to the interpretation of fundamental code provisions. These differences contribute to uncertainties that impede the efficient operation of the code. In particular, it has led to the inability of the Committee to adopt panel reports on important dispute settlement cases such as the ones on pasta and wheat flour.

Issues raised in code meetings during 1984 included such items as the guidelines on methods for calculation of subsidies proposed by the Committee's group of experts; problems with and ways of improving the subsidy notification process; analysis of article 14 and its application by the United States (known as the U.S. commitments policy) to developing countries; and the status of panel reports on certain dispute settlement cases. A summary of reports on countervailing duty actions submitted to the Committee semiannually appears in table A-3, except for the report of the United States. 1/

Debate on calculation of subsidies continued during 1984 in meetings of the experts group charged by the Committee with resolving signatories' differing interpretations. During 1984, the group again circulated papers on a variety of issues such as substitution drawback, physical incorporation, amortization and depreciation, and de minimis subsidies, to name a few. For the first time since its formation, the group came to a consensus and forwarded certain papers to the Committee for consideration. The papers forwarded presented guidelines for determining when substitution drawback systems constitute subsidies and physical incorporation schemes.

The controversy surrounding the code's requirement for regular notification of subsidies continued in 1984. 2/ Full notifications of both agricultural and industrial subsidy programs fell due in 1984. Through Committee review of notifications, CP's can examine one another's subsidy programs and raise questions regarding consistency with the agreement. In practice, the review process has been hampered by tardy and incomplete submissions. During 1984, changes in the questionnaire were considered as a way to improve notifications. The process has also been slowed by lack of agreement on precisely what subsidies have to be reported. Positions conflict as to whether only subsidies that do not conform to the code should be notified or whether all subsidy programs should be notified. In addition, CPs continue to disagree about which kinds of programs are considered subsidies under the code. A practice of cross-notification, whereby one party reports the subsidy practices of another party, has grown out of this disagreement.

During 1984, a group of developing countries voiced concern that the code's stringent commitments eliminating certain export subsidies ignore the code's provision for "special and differential treatment" of developing countries and impedes their accession to the agreement. In particular, the

1/ U.S. actions are described separately in chap. V and reported in table A-7.

2/ GATT article XVI:1 requires all GATT members to respond every third year to a questionnaire regarding the host country's subsidy programs and to update these notifications in the intervening years.

U.S. policy on application of code article 14.5 ^{1/} was the target of criticism. Under this policy, the United States has declined to afford an injury test in countervailing duty cases to code signatories that had not made an acceptable commitment to discipline their use of trade-distorting export subsidy practices.

In response to the complaints of the developing countries, the signatories held informal consultations to discuss the commitment requirements. A draft on commitments procedures, which resulted from the consultations, was submitted to the Committee in early December. This draft will continue to be discussed during 1985. In essence, the exercise has prompted wider acceptance of a policy the United States has followed for some time.

Dispute settlement ^{2/}

Two new dispute settlement cases arose under the code in 1984. One concerned an EC complaint that provisions of the U.S. Trade and Tariff Act of 1984 contravened the code. The other addressed a Canadian complaint that EC subsidies on sales of frozen beef violated code provisions. Three outstanding dispute settlement cases involving U.S. complaints on EC subsidies on pasta, wheat, and poultry sales were still unresolved at the close of 1984 despite frequent negotiations.

At the request of the EC, the Committee held a special session in December 1984 to discuss the compatibility of the U.S. definition of industry for wine and grape products as contained in the new U.S. Trade and Tariff Act of 1984 with code provisions. Under this U.S. provision, grape growers are temporarily granted standing, as part of the wine-producing industry, to file petitions with the U.S. International Trade Commission alleging injury or threat of injury resulting from dumped or subsidized wine imports. The EC alleged that this U.S. provision defines an industry more broadly than code provisions allow. Article 6.5 of the code generally defines domestic industry as the group of producers of products like or identical to the imported

^{1/} Article 14.5 of the code stipulates that developing countries "should endeavor to enter into a commitment to reduce or eliminate export subsidies" when their use is "inconsistent with its competitive and development needs." The questions discussed revolve around the obligation art. 14.5 imposes, especially in view of the provisions of articles 14.1 and 14.2 stating that "subsidies are an integral part of economic development programs" and that the agreement "shall not prevent developing country signatories from adopting measures and policies to assist their industries, including those in the export sector." Nevertheless, these provisions are tempered by the article 14.3 requirement that developing countries' export subsidies should not "cause serious prejudice to the trade or production of another signatory."

^{2/} A dispute may be brought for settlement under the Subsidies code when the issues involved are covered by the code and when parties to the dispute are code signatories. Under code dispute settlement procedures, a signatory whose exports are affected may request consultations with the exporting country. If consultations do not yield a mutually acceptable solution, conciliation by the code Committee is available. If conciliation also fails, the Committee may set up a panel and draw on the panel's findings to make recommendations to the disputing parties. Finally, if the Committee determines that its recommendations have not been implemented within a reasonable period of time, it may authorize the injured party to take countermeasures.

product concerned. The EC argues that domestic industry, as used in article 6.5, is to be interpreted narrowly--it contends that grape growers may file only against grape imports, not wine imports. Despite the meeting, the basic controversy remained unresolved. One of several arguments posited by the United States noted that, in exceptional cases, the grower could be considered an integral part of the industry producing a like product. The Committee agreed to hold a conciliation session in January 1985. 1/

Canada and the EC consulted late in 1984 on a Canadian complaint about EC subsidies on frozen beef sales. Canada alleged that the subsidies resulted in price undercutting inconsistent with provisions of the code.

In 1984, the United States continued to seek adoption by the Committee of the panel reports regarding EC export subsidies on pasta and wheat flour. Disagreement within the Committee on the panel findings continues to be a stumbling block to gaining the consensus needed for adoption of the reports. 2/ Prior bilateral efforts to resolve these disputes failed, despite repeated attempts in 1981 and 1982. 3/ In view of these difficulties, the United States continued to search for ways to bilaterally resolve the disputes with the EC.

In 1984, the United States continued informal consultations on its allegations that EC and Brazilian export subsidies on poultry sales violate the agreement by displacing U.S. sales to third-country markets. As has been the case since consultations began in 1982, the parties could not arrive at a negotiated solution to the dispute. The initial 1982 complaint was leveled at the EC only, but the EC alleged at early bilateral consultations that its subsidies served to meet subsidized competition with Brazilian poultry in third country markets. As such, the EC claimed these subsidies conformed to the code provisions. Subsequent U.S. consultations with Brazil and trilateral meetings held in 1984 yielded little or no progress.

Agreement on Government Procurement

Nineteen hundred and eighty-four marked the fourth year of operation of the Government Procurement code, formally known as the Agreement on Government Procurement (the agreement). 4/ Before the agreement was adopted, many governments followed strict "buy national" purchasing policies, which often included outright bans on purchases of foreign products or gave substantial

1/ In January, the EC reserved the right to request a panel and indicated that a panel would be requested immediately if a wine petition were filed by grape growers in the United States.

2/ These panel reports have not been officially released to the public. However, some details have been reported by the press. Apparently, EC export subsidies in pasta were found to be inconsistent with art. 9 of the agreement. Furthermore, the panel on wheat flour reportedly declined to determine if EC export subsidies on wheat flour violated arts. 8 and 10:1 of the agreement.

3/ For a detailed discussion of wheat flour and pasta disputes, see the Operation of the Trade Agreements Program, 34th Report, 1982, pp. 23-25.

4/ The signatories of the agreement are listed in table 3.

price preferences to domestic firms. 1/ The agreement opened new opportunities for trade by allowing foreign firms to compete for selected government contracts for the first time. 2/ The agreement also makes the procurement process more open to foreign competition by establishing common and more transparent procedures for providing information on bids, opening and awarding bids, and settling disputes.

The Committee on Government Procurement, which administers the agreement, met five times in 1984 to discuss problems in implementation and suggestions for improving the agreement's operation. Signatories continued negotiations in 1984 to expand the agreement's provisions to purchases of goods and services not covered in the original agreement. 3/ The main topic discussed in the negotiations in 1984 were possible expansion of code coverage to services 4/ and leased products and improvements in the agreement's operation. Increasing the number of entities subject to the agreement's provisions was also discussed.

Problems in implementation

Japan's extensive use of noncompetitive procedures was the principal implementation issue dealt with by the Committee in 1984. The code allows signatories to use open, selective, or single-tendering procedures in making covered procurements. Open procedures allow all interested suppliers to submit bids. In this case, the procuring country is required to place a notice of the proposed purchase in a predesignated publication. Selective procedures are similar to open procedures except that the agency solicits bids from selected suppliers, often those that have completed a prequalification process. Single-tendering procedures, on the other hand, are noncompetitive. The code language makes clear that single tendering should be used only in rare circumstances, such as when only one supplier can meet the agency's requirements or when the product is needed on an urgent basis.

1/ Most governments employ procurement practices that limit foreign competition. Art. III of the GATT specifically states that GATT rules restricting the use of internal regulations as barriers to trade do not apply to "procurements by governmental agencies of products purchased for government purposes." This exclusion allows GATT signatories to discriminate against foreign suppliers or products in buying products for their own use.

2/ Countries that sign the Agreement on Government Procurement agree that they will not discriminate against other signatories in procurements by specific government agencies (referred to as code-covered entities) that have a contract value over a threshold level of 150,000 special drawing rights (SDR's) or US\$156,000 in 1984.

3/ The agreement stipulates that, within 3 years of its entry into force, signatories will commence negotiations to expand the agreement to purchases that are not covered currently, including service contracts. The negotiations were begun in late 1983 and are expected to be completed in 1985.

4/ At present, services are only covered by the agreement when they are incidental to the procurement of supplies and equipment, i.e., where the value of the service procured equals less than 50 percent of the total value of the combined procurement of the goods and services.

Japan's overall rate of single tendering is high--nearly 40 percent in 1983--and for some agencies, such as the Ministry of Posts and Telecommunications, the rate is more than 90 percent. This effectively reduces the already low share of Japan's procurement open to foreign suppliers. ^{1/}

The most frequently cited reason by Japan for using noncompetitive procedures is that no bids submitted under open procedures were responsive to the Government's need. Japan's use of a "maximum-price" system appears to be the principal reason why no acceptable bids are received under open procedures. Under the maximum-price system, the procuring agency sets a maximum price it will pay for the product. If none of the bids submitted falls at or below the maximum price set, the agency can noncompetitively choose a supplier of the equipment (i.e., resort to single-tendering procedures).

The United States and Japan held formal consultations about this practice under the dispute settlement provisions of the code in late 1984. The United States claimed that Japan's excessive use of single-tendering practices nullifies and impairs U.S. rights under the agreement and substantially changes the balance of coverage negotiated in the original agreement. U.S. negotiators further suggested that Japan's practice of splitting large contracts that had been advertised under open procedures into smaller contracts, and then awarding them on a noncompetitive basis is a violation of the agreement. The United States maintains that single tendering is only allowed in such cases if the requirements of the original tender are not substantially modified. The United States is also concerned about the use of single tendering in "follow-on" and prototype purchases. The two parties met again to discuss the U.S. complaint in January 1985.

Another implementation issue dealt with by the Committee in 1984 was the EC's practice of netting out value-added taxes when deciding whether a contract falls below the threshold level. The United States had formally complained about the EC practice in 1982 and a panel of experts was formed in 1983 to investigate the matter. The Committee adopted the report of the panel in May 1984. The panel concluded that the EC practice was not in conformity with agreement requirements and recommended that the EC take action to change this practice. Later in the year, the EC reported that an implementation program had been developed to respond to the panel's recommendation and that it was taking preliminary steps towards this end.

One signatory withdrew an entity from agreement coverage in 1984. Finland's Government Fuel Center was turned over to private ownership in the year and was therefore no longer covered by the Government Procurement code. After notifying agreement signatories that it was removing the entity from agreement coverage, Finland agreed to offer compensation, if requested. The Finnish action was particularly relevant given U.S. concerns about achieving a new balance of coverage when Japan turns its telecommunications entity, Nippon Telephone and Telegraph, and another code-covered agency, the Japan Tobacco and Salt Corporation, over to the private sector in 1985.

^{1/} A low share of Japan's procurements is actually subject to the agreement's provisions because most fall below the threshold value of SDR 150,000. Part of the reason for this is that each of the more than 40 Japanese code-covered entities conducts its own procurements. Japan's rate of single tendering has dropped only slightly from 1981 to 1983 and in 1983 remains at the very high level of 37 percent of above-threshold purchases.

Every year signatories meet to review data on the amount and types of procurements made by member governments. Some countries submitted procurement statistics for discussion at the November Committee meeting. However, statistics on procurements by many signatories, including Japan and the EC, were not available at that time. The parties agreed to thoroughly review the data at the February 1985 meeting. Meanwhile, they did agree to release such data to the public 1 year after the formal review is completed.

Proposals to broaden and improve the agreement

Since November 1983, signatories have been engaging in negotiations to broaden and improve the agreement. An important element of this exercise is to examine whether government procurement of services should be opened to foreign suppliers. As a means of beginning work on this issue, in February 1984 the United States proposed that each country prepare pilot studies on different service sectors. In April 1984, the signatories agreed on two service sectors for their initial pilot studies: insurance services and architectural and consulting engineering services. The United States had been interested in obtaining consensus on conducting a study on computer services as well. In 1984, five countries agreed to prepare and exchange computer services studies on a bilateral basis.

As part of the negotiations to broaden and improve the agreement, proposals have been tabled by the United States, the EC, the Nordic countries, and Canada. Lengthening bid deadlines, lowering the threshold level, and putting more restrictions on derogations from agreement principles were among the suggestions made. Other proposals included improving statistics and requiring publication of single-tendering procurement notices. There was a preliminary discussion of these proposals at the April meeting of the Committee. However, detailed discussions on proposed improvements were put off until June.

At the June meeting, the parties discussed already tabled suggestions as well as new proposals. The United States proposed at the June meeting that the agreement be modified to prohibit offset and technology-transfer requirements. It also sought clarification of the use of qualification procedures. The agreement currently requires Government agencies that employ qualification procedures to ensure that these procedures are nondiscriminatory and are followed in an open and expeditious manner. The United States has proposed code provisions that would require that qualification criteria be relevant to a firm's capability to perform the contract and that would prohibit the use of a grading system for supplier firms.

Broadening the agreement to cover new entities is also being discussed in the renegotiating process. The United States is seeking to have entities in the telecommunications, power generation, and transportation sectors opened to foreign competition. Some countries submitted entity request lists in 1984 enumerating the foreign agencies they would like to see covered under the agreement. However, negotiations on expanding entity coverage did not go beyond the preliminary stage during the year.

Agreement on Technical Barriers to Trade

The Standards code, formally known as the Agreement on Technical Barriers to Trade (the agreement), entered into force on January 1, 1980. Its aim is to ensure that technical regulations and product standards do not create unnecessary obstacles to trade. 1/ The Committee on Technical Barriers to Trade, which administers the agreement, met three times in 1984 to discuss specific problems in implementing the agreement, proposed improvements in its operation, and possible expansion of its coverage.

Problems in implementation

Spain's new regulation on medical equipment and heating apparatus was the principal implementation issue dealt with by the Committee in 1984. The EC initiated formal dispute settlement procedures against Spain in February 1984 about the regulations, and the United States began a separate complaint procedure about them later in the year. The two complaints asserted that Spain violated the agreement on several counts. First, Spain's new regulations would significantly affect both U.S. and EC producers, but Spain had failed to apprise formally the agreement signatories of the new regulations or allow foreign comment before they were put into force. Furthermore, Spain applied the new rules in a discriminatory manner: Spanish producers were given a 1-year period to come into conformity with the new regulations, while foreign suppliers were required to comply with them immediately. The information required to certify conformity with the regulation, including a requirement for an audit, was excessive, according to the EC. Also, Spain had failed to establish adequate facilities to implement the new regulations. After having several consultations with the EC on the problem, Spain agreed to provide the details of its regulations to the agreement signatories, to end discriminatory application of the regulations, and to make every effort to approve foreign-made equipment in an expeditious manner. As a result, the Committee suspended its investigation into the EC complaint at its September meeting, but agreed to monitor carefully Spain's implementation of its commitments. 2/

The United States also held consultations with the EC about its new standards for triple super phosphate (TSP) fertilizer. The U.S. complaint centered on a new EC directive setting water-solubility standards for TSP fertilizer. The directive was brought to the attention of the U.S. Government in a petition filed by The Fertilizer Institute under section 301 of the Trade Act of 1974. In the petition, the Institute claimed that the EC directive is inconsistent with the EC's obligations under the Agreement on Technical Barriers to Trade because it lacks scientific justification and effectively

1/ Signatory governments are required to ensure that technical regulations and standards are not prepared, adopted, or applied in such a way as to obstruct international trade. Whenever possible, standards are to be stated in terms of performance characteristics, rather than specific designs. The agreement also seeks to further open national standards setting procedures to foreigners by allowing interested foreign parties time to comment on proposed standards.

2/ The U.S. complaint about Spain's new rules is still technically in the initial bilateral consultation phase of the code's dispute settlement procedure.

discriminates against U.S.-produced TSP (since currently available U.S.-made fertilizer does not meet the water solubility requirement). ^{1/} U.S. and EC representatives held consultations on the matter under article 14:1 of the agreement on December 6 and 7, 1984. They tentatively agreed to meet again in early 1985 to discuss these issues in more detail.

Proposals for improving the operation of the agreement

Several proposals were put forth in 1984 to improve the operation of the agreement. The proposals were designed to (1) clarify the agreement's language regarding the time for bringing a proposed standard to the attention of other parties, (2) encourage development of a long-term agenda for the Committee along with a proposed work program for each of the specific items on it, and (3) require acknowledgement of foreign comments on proposed standards, along with substantive responses, prior to the adoption of a final standard.

In an effort to ensure that a consistent approach is employed by all signatories, the Committee adopted language to clarify when a proposed regulation has a "significant effect" on trade and should thus be sent for comments to other agreement signatories. The new language urges countries to notify other parties of all regulations that are likely to have an effect on foreign producers, either directly or indirectly. In other words, whenever there is any chance that a proposed regulation will have an effect on trade, the issuing country should notify other parties.

At the October 1983 meeting, the United States had proposed that the Committee develop a long-term agenda of its activities, along with timetables for action on particular issues. As a result, in 1984 the Committee adopted new procedures for circulating a projected agenda of work. The projected agenda will reflect suggestions and comments on outstanding items, but will not commit the parties to a timetable of action on particular issues.

The agreement emphasizes the importance of allowing foreign comments on standards and asks the issuing country to state clearly the reasons why such comments were or were not accepted. In 1983, the EC had proposed creating a uniform procedure for handling foreign comments on proposed standards. The EC proposed that parties be required to issue a written acknowledgement of comments received as well as a preliminary indication as to whether they would be accepted. However, the United States opposed the EC proposal because it called for substantive individual responses to comments received, a practice that would be contrary to the rulemaking procedures employed by most U.S. agencies. (U.S. agencies address comments received when they issue final rules in the Federal Register.) The United States informally presented an alternative proposal in 1984 that called on regulatory agencies to provide "publicly available preliminary responses, i.e., the Federal Register notice." However, this compromise was not acceptable to the EC because it failed to address their desire for substantive discussion of their problems with proposed rules before they were adopted. Unable to reach a compromise, the

^{1/} The USTR accepted the petition and began an investigation on the matter on Oct. 1, 1984.

Committee referred the matter to the meeting of designated national inquiry points 1/ to be held in early 1985.

Expansion of agreement coverage

The United States made several proposals in 1984 to broaden the agreement's coverage. It sought to have the code's language on testing and certification procedures strengthened in order to ensure that measures used by parties to test conformity with standards do not effectively discriminate against foreign suppliers. 2/ The Committee agreed to have a preliminary discussion on testing and inspection issues at its first meeting in 1985. The United States also continued bilateral consultations in an effort to reach consensus on a multilateral agreement building on the principles of the Standards code. The agreement would establish agreed upon and transparent approval procedures for telecommunications interconnect equipment. 3/

Agreement on Customs Valuation

The Customs Valuation agreement, formally titled the Agreement on Implementation of Article VII, establishes a uniform system of rules to

1/ Each signatory country has designated an inquiry point to provide information on standards and standards-related procedures in their country. The U.S. national inquiry point is the National Bureau of Standards within the U.S. Department of Commerce. Representatives of the national inquiry points meet once every 2 years to discuss information exchange issues.

2/ Specifically, the United States sought language that would require parties to accept foreign-generated test data and to grant so-called "type approvals." Type approvals authorize the sale of all products of a particular type from a particular company. The greater uncertainty and higher costs associated with regulatory systems that issue approvals on more provisional basis (e.g., a case-by-case or shipment-by-shipment basis) can pose a substantial barrier to trade, the United States believes. The code currently encourages, but does not require, mutual acceptance of test results among parties. It does not contain provisions concerning type approval.

3/ The U.S. draft multilateral interconnect agreement addresses issues related to testing and approval procedures for interconnect equipment. Interconnect equipment is equipment that can be purchased by individuals and attached to the telephone network, such as telephones, modems, and answering machines. Every country regulates the types of products that can be sold in the interconnect market in order to protect the phone network from devices that might interfere with its operation. The draft multilateral agreement would ensure that signatories apply a slightly more ambitious set of nondiscriminatory standards and certification principles than those in the Standards code when setting standards for interconnect equipment and ensuring conformity with them. In the current draft, signatories would be required to accept test data generated in other parties and to grant type approvals for covered products.

determine the customs value for imported goods. 1/ The agreement provides detailed rules for determining the value of imported goods used as a basis for assessing ad valorem customs duties. The rules promote a fair, uniform, and neutral system of valuation and preclude the use of arbitrary or fictitious values. 2/ With greater uniformity of practices applied by signatories, exporters and importers are able to more reliably estimate how their goods will be valued by customs authorities. During 1984, Czechoslovakia and Botswana became signatories. Botswana is the first non-Contracting Party to join the agreement.

During 1984, the Committee on Customs Valuation discussed various topics relating to the code's operation. To promote transparency, the signatories must inform the Committee of changes in customs laws and regulations and in their administration. In early 1984, members agreed to carry out this requirement by submitting the complete texts of national legislation. Technical assistance, to aid developing countries as they join and prepare for application of the agreement, continues to be a priority activity. Such technical assistance activities were reviewed in April and November 1984. In addition, the Committee adopted two major decisions, one regarding treatment of interest charges and the other on valuation of computer software, in 1984.

Under the decision on the treatment of interest charges in the customs value of imported goods, the signatories agreed that--

Charges for interest under a financing arrangement entered into by the buyer and relating to the purchase of imported goods shall not be regarded as part of the customs value provided that: (a) such goods are sold at the price declared as the price paid or payable for the goods; (b) the financing arrangement was made in writing; (c) where required, the buyer can demonstrate that such goods are sold at the price declared or the price actually paid or payable, and the claimed rate of interest does not exceed the level for such transactions prevailing in the country where, and at the time when, the financing was provided.

The decision on the valuation of certain software equipment for data processing equipment provided that--

1/ The Customs Valuation agreement entered into force internationally on Jan. 1, 1981, although the United States and the EC agreed to implement the agreement on July 1, 1980.

2/ The agreement establishes a primary method of valuation and a series of alternative methods to be applied in a prescribed sequence. First is the transaction value method, where the duty is levied on the price actually paid or payable for the goods with a limited number of adjustments. If the primary method is not feasible, using the transaction value of an "identical" good sold to the same importing country is the second alternative. The third method uses the transaction value of a "similar" good sold. If none of these methods are possible, other reasonable means consistent with the agreement may be used. A signatory to the agreement is permitted to determine customs value on either an f.o.b. (free on board) or c.i.f. (cost, insurance, and freight) basis. The United States uses f.o.b., while most other countries use c.i.f.

For determining the customs value of imported carrier media bearing data or instructions, according to the decision and for those parties who adopt this practice, only the cost or value of the carrier medium itself shall be taken into account. The customs value shall not include the cost or value of the data or instructions, provided that it is distinguished from the cost or value of the carrier medium.

The Committee conducted its fourth annual review of the implementation and operation of the agreement at its November 1984 meeting. The signatories expressed a general satisfaction on their part with the implementation and operation of the agreement. They indicated that no substantial difficulties had been encountered in applying the agreement. The parties also agreed that, in general, the agreement had facilitated international trade and had improved uniformity in valuation practices.

Antidumping Agreement

The Antidumping agreement 1/ prescribes the proper conduct for antidumping investigations and the imposition of antidumping duties based on provisions of the General Agreement. It sets guidelines for the use of these measures and related practices such as retroactive application of antidumping duties and price undertakings. 2/ The agreement also obligates developed countries to give special consideration to the developing countries before applying antidumping duties. Singapore's accession to the agreement in 1984 raised the number of members of the code to 22. 3/

Committee activities

Regular activities of the Committee on Antidumping Practices include reviewing national antidumping legislation and actions. The Committee discusses questions raised by members regarding the consistency of national legislation with the code's provisions and complaints by parties regarding antidumping actions taken against their exports. The Committee is also responsible for conciliation of formal disputes among signatories. Parties to the agreement report antidumping actions to the Committee on a semiannual basis. Antidumping actions reported by signatories in 1984, except those of the United States, are contained in table A-4. Actions undertaken by the United States are listed separately, in table A-5.

1/ Formally called The Agreement on Implementation of Article VI of the GATT, the agreement was negotiated during the Tokyo Round in 1973-79 as a replacement to the original Antidumping agreement. The renegotiation was conducted to bring certain provisions, especially those concerning determination of injury, price undertakings, and the collection of antidumping duties, into line with similar provisions in the Agreement on Subsidies and Countervailing Duties also concluded in the Tokyo Round.

2/ In price undertakings the exporter volunteers ". . .to revise its prices or to cease. . . [dumping] . . . so that the authorities are satisfied that the injurious effect of the dumping is eliminated."

3/ See table 3 for a full listing of this code's membership.

Detailed examination of Australian antidumping legislation, initiated in 1983, continued into 1984. ^{1/} Laws of Canada, the EC, Japan, and Spain were also discussed. In October, Brazil informed the Committee that the setting up of administrative measures in conformity with the agreement was incomplete and requested an extension of its original 3-year time frame. The Committee agreed to allow Brazil more time with the understanding that no antidumping actions would be taken against other code members by Brazil until the new procedures were in place.

During 1984, the Committee adopted a paper drawn up by the ad hoc group of experts on the implementation of certain provisions of the code. The paper, entitled "Best Information Available in Terms of Article 6:8," addressed the use of "best information available" during an investigation and recommended procedures signatories should follow prior to using such information.

At the end of 1984, the experts group reached a consensus on forwarding two other papers to the Committee for consideration in 1985. These papers concern definition of input dumping and factors to be considered in determining threat of injury. Input dumping refers to exports of a product, whether or not itself dumped, that contain inputs purchased internationally or domestically at dumped prices. Papers on other issues, including ones on definition of sale, special monitoring schemes, and cumulation, are still under negotiation within the group of experts.

Dispute settlement

In March 1984, the EC requested the Committee to conciliate its dispute with Canada on an antidumping investigation conducted by Canada against sales of electric generators from Italy. Since the Committee considered that the assistance of the ad hoc group of experts would be useful, particularly in examining the code's definition of a sale, conciliation was postponed. Conciliation was not resumed in 1984 since the expert group paper defining sales was not completed.

In November 1984, the EC raised the issue of the definition of industry for wine and grape products contained in the U.S. Trade and Tariff Act of 1984. ^{2/} According to the EC position, the U.S. Law was not in line with the code's definition of industry. The EC formally requested that consultations with the United States be held as soon as possible. Some parties to the agreement supported the EC contention, observing that the U.S. definition set a dangerous precedent. Consultations continued without resolution into 1985.

Agreement on Import Licensing Procedures

The Committee on Import Licensing held two meetings in 1984. The Committee focused on the necessity of having the signatories forced to comply with the provisions of article 3(c) of the Agreement on Import Licensing

^{1/} For more details see the Operation of the Trade Agreements Program, 35th Report, 1984, p. 97.

^{2/} The EC has also raised this issue in the agreement on subsidies and countervailing duties.

Procedures (the agreement), that import quotas must be made public. 1/ One party, which was charged with noncompliance, promised to publicize the quotas in question.

At the 1984 meetings, the Committee also agreed to a work program designed to clarify certain provisions of the agreement with special regard to the needs of developing countries. This work was to be undertaken in 1985. The Committee's efforts to compile information on the licensing system of each signatory were also discussed.

With Singapore's accession on July 20, 1984, the agreement had 24 signatories at the end of the year. 2/

Agreement on Trade in Civil Aircraft

The Agreement on Trade in Civil Aircraft provides for duty-free treatment of identified civil aircraft, civil aircraft engines, and civil aircraft parts. These are enumerated in three lists in the annex to the agreement: the Customs Cooperation Council Nomenclature (CCCN) list, the TSUS list, and the Canadian Tariff Schedule list. No new members acceded to the agreement in 1984. 3/

In 1984, the Committee discussed transposition of the annex to the agreement into the Harmonized System nomenclature, along with methods of incorporating aircraft concessions based on the Harmonized System into GATT schedules and national tariffs. It referred the technical aspects of this work to the Technical Subcommittee. The Subcommittee continued discussions throughout the year on converting the current annex to the format of the Harmonized System, but encountered difficulty on the differences of product coverage between the CCCN, the TSUS, and the Canadian Tariff Schedule lists in the annex.

Members completed negotiations during the year to expand the duty-free provisions of the annex to the agreement to new product categories. Agreement was reached to add 32 new categories of aircraft products (expressed in CCCN terms) to the annex, effective January 1, 1985. However, the agreement did not go into effect on this date for all members due to delays in the ratification process of some of the signatory countries.

International Dairy Arrangement

The primary objectives of the GATT International Dairy Arrangement (IDA) are to expand and liberalize world trade in dairy products by improving international cooperation. Activities under the arrangement, which also

1/ The Agreement on Import Licensing Procedures entered into force on January 1, 1980, committing signatory governments to simplify the procedures importers must follow to obtain import licenses. Products traded internationally are sometimes subject to bureaucratic delays and additional cost as a result of cumbersome import-licensing systems. Such systems therefore act as barriers to international trade.

2/ For a full listing of the signatories, see table 3.

3/ For further details on membership and the provisions of the agreement, see the Operation of the Trade Agreements Program, 35th Report, 1983, p. 109.

includes protocols on certain milk powders, milk fat (including butter), and certain cheeses, are coordinated by the International Dairy Products Council. At the end of 1984, 18 signatories (including the EC representing its member states) constituted the total membership of the arrangement. 1/ At yearend, however, the arrangement suffered a setback when the United States notified its intent to withdraw following the signatories' approval of EC sales of butter at below the agreed minimum prices.

The U.S. notification resulted from a series of events that began in October when the Committee of the Protocol Regarding Milk Fat held special meetings to consider a communication by the EC stating its intention to export surplus butter from EC public stocks at a price well below the minimum price currently in force. The EC said that these sales of butter to Iran and the Soviet Union would require such low prices because of the age of the butter. Other delegations claimed there were no provisions in the arrangement allowing adjustment on this basis. The Committee, unable to reach a satisfactory solution, referred the matter to the International Dairy Products Council.

In a compromise effort, the EC, Australia, and New Zealand drafted a resolution proposing to allow the EC sales and to offer other members similar price leeway. The United States objected on the grounds that the resolution undermined the basic minimum-price provisions of the arrangement. Though the United States did not block the consensus needed to pass the resolution, it clearly registered its disapproval of the move by announcing plans to reconsider its membership in the IDA. After the resolution passed, the United States formally notified the IDA, on December 14, 1984, of its intention to withdraw. 2/ In withdrawing, the U.S. reiterated its position that approval of the EC butter sales defeated the IDA's function of stabilizing the world dairy market. At the same time, the United States voiced its frustration with the effectiveness of the IDA in restraining the use of export subsidies.

In reaction to the U.S. pullout, the EC said the balance of rights crafted under the Tokyo Round (which included negotiation of the arrangement) would be upset. The EC argued that the United States still was obligated not to take more than its fair share of the market or to undercut the minimum IDA price. Other responses to the U.S. withdrawal were more resigned. Although some members regretted the U.S. departure from the arrangement, these members acknowledged the U.S. reasons for doing so.

During 1984, as is required annually, the Council evaluated world market conditions for dairy products and reviewed the functioning of the agreement. 1/ To accomplish this task, the Council normally considers such items as national policies, food aid, data regarding products, and reports of the committees which oversee the three protocols. This year, for example, a communication from Australia was considered regarding problems in observing minimum price provisions on tenders using quotations in currencies other than U.S. dollars. In examining the issue, the protocol committees reported to the

1/ See table 3 for a full list of members.

2/ The U.S. withdrawal from the IDA became effective Feb. 14, 1985.

1/ Minimum prices are subject to annual review. However, the most recent increase was authorized in 1980 when prices were raised slightly to the following levels per metric ton: skimmed milk powder--US\$500; whole milk powder--US\$800; butter--US\$1000; anhydrous milk fat--US\$1,200; and certain cheeses--US\$900.

Council that, because of unforeseen exchange rate fluctuations against the dollar, an offer price quoted in other currencies could result in a selling price lower than the minimum. Members agreed to keep the protocol committees informed regarding the details of these types of transactions.

Arrangement Regarding Bovine Meat

The Arrangement Regarding Bovine Meat (the arrangement) promotes international cooperation towards expansion, liberalization, and stabilization of trade in meat and livestock. With the addition of Colombia in 1984, the membership of the agreement has grown to 26. ^{1/} The signatories include all major beef exporting and importing countries, except the Soviet Union. Their trade represents approximately 90 percent of exports, 60 percent of imports, and 60 percent of production in the industry. Under the arrangement, the signatories collect and distribute data on production and trade. They also consult on market conditions and discuss problems raised by members.

Late in 1983, several members of the arrangement expressed concern about the current and future conditions of the international bovine meat market. Such concerns led Argentina to request a special meeting of the International Meat Council (IMC), which administers the arrangement, in early 1984. The meeting addressed claims by Argentina, New Zealand, and Uruguay that EC subsidies on bovine beef exports had boosted the EC's market share and helped it become a major world supplier. The countries asserted that the subsidies, contrary to article I of the arrangement, were destabilizing international market conditions and hurting less-developed exporters of bovine meat products. Some members of the arrangement complained that, in addition to competing against the EC subsidies, they face limited access to the EC market. Better access to the EC market was termed vital to expansion of world trade in bovine meat.

As a result of discussion at the special meeting, the IMC set up a working party to consider the complaints in light of article IV, paragraph 2, of the arrangement. Under this provision, if the IMC finds evidence of a serious imbalance or threat of one in the international meat market, it must identify possible remedies to the situation. After several meetings, the working party observed that conditions leading to a serious imbalance in the international bovine meat market had emerged as a result of developments occurring over the last several years. As of yearend, since the working party had not completed drawing up recommendations, the IMC extended its mandate into 1985.

^{1/} See table 3 for a full listing of code members.

CHAPTER III

TRADE ACTIVITIES OUTSIDE THE GATT

INTRODUCTION

Although the General Agreement on Tariffs and Trade provides the broad international framework for conducting international trade, the United States also participates in several other organizations that deal with international trade issues, notably the Organization for Economic Cooperation and Development and the United Nations Conference on Trade and Development. The OECD and the UNCTAD provide forums for consultation and policy coordination on issues including, but not limited to, trade. They cover a wider range of subjects than the GATT, but they do not aim for the same degree of specific international obligation required of GATT members. Nevertheless, the work of these organizations often complements the work done in the GATT. Other bodies such as the Customs Cooperation Council (CCC) and the international commodity organizations cover a narrower purview than the GATT but provide a basis for coordinating and regulating certain specific aspects of international trade. This chapter discusses U.S. participation in the OECD, the UNCTAD, the CCC, and international commodity organizations. It also covers the U.S. bilateral investment treaty program and progress on trade agreements in the services sector.

ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT

In 1961, the OECD evolved from a remodeling of the Organization for European Economic Cooperation to accommodate the accession of non-European members and to bring North-South relations within its scope. ^{1/} The objectives of the organization are to (1) promote stability and growth of members, (2) promote economic development of nonmembers, and (3) expand world trade on a multilateral, nondiscriminatory basis. The OECD is essentially a forum for consultation to facilitate policy coordination on a broad range of international and economic issues. Decisions are not binding on individual members. This section is limited to the organization's trade-related initiatives.

OECD work programs are carried out through committees that are serviced by more than a dozen divisions of the Secretariat known as directorates. These committees report to the Council, the top executive body of the OECD. The Council meets several times annually at the Permanent Representative level and once annually at the Ministerial level. The purpose of the Ministerial-level meeting is to formulate a consensus on policy goals and directions.

^{1/} Current members of the OECD are Australia, Austria, Belgium, Canada, Denmark, Finland, France, West Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. The Commission of the European Communities and Yugoslavia, under special status, also take part in activities of the organization.

In 1984, the Ministerial Council meeting took place on May 17 and 18 in Paris. Member countries agreed to carry out policies that would extend the economic recovery, cut unemployment, expand world trade, and improve relations between industrialized and developing countries. They warned of the effect on interest rates of high budget deficits and advocated sound monetary and fiscal policies to stabilize prices and exchange rates. The Ministers noted in particular the importance of adaptive economic structures in achieving durable growth. In this context, they advocated implementation of positive adjustment policies and endorsed the policies recommended in a statement by the Economic Policy Committee.

The Ministers also reaffirmed their commitment to reduce trade barriers and strengthen the multilateral trading system. 1/ They noted that extensive consultations among all GATT members and early and thorough preparations would be essential for the success of a new round. Important steps in this preparatory process would include completion of the 1982 GATT work program and work performed by the OECD.

Agricultural Trade

Surpluses of agricultural products on world markets continued to plague OECD producers in 1984. At the Ministerial meeting, the Ministers expressed concern that this situation existed in several commodity markets due, in large part, to domestic support policies. They made recommendations to "ease measures which hinder the requisite long-term adjustments, and to persevere with current efforts aimed at reducing protectionism and trade distortions, and at improving the functioning of world markets." 2/

The Committee for Agriculture reached similar conclusions in its yearly report (published in January 1985) on the outlook for agricultural policies and markets. After examining individual product markets, the report noted that serious international market imbalances exist in almost all farm products and can be expected to continue unless policies are changed. The Committee recommended that OECD countries (1) increase efforts to reduce the surpluses while taking account of market forces, (2) avoid protectionist measures, and (3) harmonize domestic goals at the international level in order to improve the performance of international markets.

Progress continued in 1984 on the three-part work program on international agricultural trade mandated in 1982. Under part I of the work program, a multiproduct economic model has been set up to examine possible methods for, and the effects of, "a balanced and gradual reduction of protection" in various agricultural commodities. 3/ Part II, which examines the impact of national policies on agricultural trade, resulted in the

1/ They recognized that an initiative for a new round of multilateral trade negotiations "would be of the utmost importance to a strengthening of the liberal trade system and the growth of trade opportunities."

2/ Communiqué of the OECD Ministerial meeting held in Paris on May 18, 1984, OECD Press Release, May 18, 1984.

3/ Commodities to be studied in the model include dairy products, cereals, meats, sugar, feedstuffs other than cereals, and fruits and vegetables.

submission of country reports by Canada and Australia. 1/ Finally, part III calls for an analysis of the methods that might improve the performance of world markets. This part of the mandate will probably be used to draw conclusions from parts I and II to yield a final report recommending domestic policies aimed at improving world market performance. This report, which will be submitted at the 1986 Ministerial Council meeting, will conclude the work program.

The 1982 Ministerial Council also mandated a study of the problems related to trade in fish. The report, still in progress, will discuss the consequences of present policies on fish trade and the possibilities for liberalizing trade in this sector.

In addition, in 1984 an important study was published examining agricultural trade between OECD countries and the developing world. 2/ The report analyzed the effects of national and multilateral policies on this trade flow and highlighted several points for policy makers to consider: (1) the variety of developing countries with respect to their economic structure and agricultural trade patterns, (2) the increasing interdependence of national economies and the mutual benefits derived from expanded trade, and (3) the importance of the multilateral role in promoting trade growth.

Export Credits Arrangement

The Arrangement on Guidelines for Officially Supported Export Credits (the arrangement) was designed to regulate government-supported subsidies on export credits in order to insure fair competition for credit terms. This type of export subsidy offers direct loans by government institutions to foreign buyers at below commercial interest rates. Due to relatively high commercial rates of interest and a slowdown in economic activity in most industrialized countries, subsidized export financing has become an increasingly popular way to promote exports and maintain employment.

The original arrangement, negotiated in 1977, set minimum interest rates for OECD countries that subsidize their export credits. In October 1983, the new arrangement took effect, establishing stricter guidelines to further limit the use of subsidies on export credit. Direct interest-rate subsidies were virtually eliminated on trade between industrialized countries, and subsidies to developing countries were substantially reduced. Also, for the first time, the minimum interest rates fixed under OECD guidelines were linked to commercial interest rates. Every 6 months (in January and July), the OECD

1/ The United States, the European Community, and Austria were expected to complete their country studies by May 1985, and reports by Japan and New Zealand will follow in late 1985.

2/ Organization for Economic Cooperation and Development, "Agricultural Trade With Developing Countries: Trends and Implications for Agricultural Policies in OECD Countries," June 1984.

rates adjust automatically to the market rate of interest. 1/ Table 4 shows the interest rate schedule adopted on January 15, 1985 (the second adjustment under the new automatic system). 2/

Table 4.--Minimum interest rate guidelines set on January 15, 1985 for officially supported export credits, by repayment periods

Country type <u>1/</u>	<u>2 to 5 years</u>		<u>Over 5 years</u>	
	<u>Present</u>	<u>Former</u>	<u>Present</u>	<u>Former</u>
I. Relatively rich-----:	<u>2/</u> 12.00	(13.35)	12.25	(13.60)
II. Intermediate-----:	10.70	(11.55)	11.20	(11.90)
III. Relatively poor <u>3/</u> -----:	9.85	(10.70)	9.85	(10.70)

1/ Relatively rich countries are defined as having per capita GNP over \$4,000; intermediate, per capita GNP between \$681 and \$4,000; and relatively poor, per capita GNP below \$681.

2/ The rates adopted in July 1984 are shown in parenthesis.

3/ Countries in this category are eligible for financing from the International Development Association (IDA).

Source: OECD Press Release.

The arrangement also contains rules governing length of credit, downpayments, and mixed credits. In 1984, changes in the guidelines for mixed credits became a major U.S. objective. Mixed credits combine commercial credits with aid grants intended to assist developing countries. According to the Administration, the increasing use of mixed credits has led to trade distortion and rising costs for governments. Furthermore, mixed credits are actually being used to finance commercial export sales rather than to aid developing countries. 3/ The United States is particularly concerned that mixed credits are supporting industries with high rates of return, such as telecommunications and transportation, which should be able to sustain commercial interest rates. Throughout 1984, the arrangement specified that if the grant element of a mixed credit accounted for less than 20 percent of the total financing package, it was illegal. If the aid component was between 20 and 25 percent of the value of the export financing, OECD had to be notified in advance. Aid elements comprising more than 25 percent of the total did not require prior notification. The United States proposed to raise the minimum allowable level of aid in mixed credit packages from 20 percent to 50 percent in order to discourage the use of subsidized credits by making them prohibitively expensive. In addition, the United States hoped that, under the

1/ For a more complete discussion of the automatic adjustment mechanism, see Operation of the Trade Agreements Program, 35th Report, 1983, p. 119.

2/ The minimum interest rates established in October 1983 remained in effect until the first automatic adjustment in July 1984.

3/ "OECD Support for Mixed Credit Crackdown Growing; except in France, Italy," Inside U.S. Trade, April 20, 1984, pp. 7-8.

proposed rules, the grant element would be used for humanitarian (i.e., development) purposes rather than commercial purposes. While negotiations progressed in 1984, no agreement was reached by yearend. 1/

Lastly, several export sectors, including nuclear power equipment, commercial aircraft, and agricultural products, are not covered by the 1983 arrangement. In August, agreement was reached establishing guidelines for credits on exports of nuclear power equipment. The agreement sets minimum interest rates at 1 percentage point higher than current arrangement rates. The maximum duration of the loan was extended to 15 years on nuclear equipment (from 10 years on other projects). In addition, mixed credits are prohibited. Negotiations toward a sectoral arrangement on aircraft began towards the end of 1984 and will continue in 1985. Agricultural projects are still excluded from the OECD consensus on export credits.

High-Technology Trade

The Committee for Scientific and Technological Policy (CSTP), jointly with the Industry and Trade Committees, continued to study problems related to both high-technology trade and the international flow of technologies. In 1982, OECD Ministers agreed to identify specific problems that affect trade in high-technology products and examine their possible solutions. In response to this mandate, a Joint Bureau of the CSTP and the Industry Committee prepared six sector studies on robotics, telecommunications, pharmaceuticals, machine tools, semiconductors, and space products in order to identify the trade problems confronting each sector. These problem areas were subsequently summarized in a paper drafted by the Joint Bureau for the 1984 Ministerial meeting. The issues identified include (1) government support for research and development, (2) access to high technology including export controls, (3) public procurement policies, (4) special benefits of spinoffs from military and space projects, (5) standards, and (6) export credits and promotion measures. Now, the Trade Committee is analyzing this list of specific trade policy problems and examining the adequacy of existing trading rules in addressing these problems. The United States Government proposes investigating particular market access issues faced by high-technology industries, including liberalization of government procurement markets, improvement of international discipline in standards, and reduction of tariffs, quotas, and other trade barriers applied at the border. The United States advocates improving existing trade rules to address these problems, rather than creating new sectoral agreements or codes.

Work by the the CSTP also focused on ways to facilitate international technology transfers. The preliminary stage of this work program has identified three factors that may affect the flow of technology: (1) the growing overlap between commercial, military, and scientific interest in some advanced technologies and related export controls, (2) the inclusion of restrictions in some commercial technology transfer contracts and the varying treatment by different countries of intellectual property rights, and (3) restrictions on access to government-financed research and development programs by firms under foreign control.

1/ At the annual Ministerial Council meeting held in Apr. 1985, OECD members agreed to raise the minimum allowable level of aid in a mixed credit package from 20 to 25 percent.

Investment

In 1984, the OECD made several strides towards strengthening international cooperation on investment. The Committee on International Investment and Multinational Enterprises (CIME) reviewed and amended the 1976 Declaration on International Investment and Multinational Enterprises, a set of principles designed to improve the international investment climate and to strengthen confidence between multinational enterprises (MNE's) and governments. The declaration covers three areas: (1) guidelines of business practice for MNE's, (2) the principle of national treatment for enterprises under foreign control, and (3) an agreement on incentives and disincentives for international investment. The guidelines for MNE's were designed to set standards for MNE activities throughout OECD countries. Three changes were made to strengthen them. First, the Ministers agreed that any country adopting new legislation that might conflict with the policies of other OECD members, thus affecting MNE operations, should seek cooperation on a bilateral basis or settle disputes before the CIME. The guidelines were also amended so that MNE's will take consumer interests more fully into account. Lastly, the guidelines were examined with respect to the structural adjustment process. After conducting a major study of the structural adjustment strategies of MNE's, the CIME warned that MNE's should avoid pressures to centralize the decisionmaking process in order to remain as responsive as possible to local economic conditions.

The principle of national treatment states that countries should not treat foreign enterprises less favorably than domestic firms in like situations. There are many cases, however, where countries will not accord a foreign firm national treatment. In 1984, a survey of these exceptions was completed. This study will be periodically reviewed for the purpose of extending the application of national treatment.

Finally, the agreement on incentives and disincentives was designed to avoid the excessive use of government measures to influence international investment decisions. In 1983, a survey of investment incentives and disincentives, including an assessment of the effects of these measures on international direct investment, was completed. Since then, the CIME, in collaboration with the Trade Committee, has completed a more detailed study on trade-related investment measures (TRIM's) and their effects on international investment and trade flows. 1/ Based on the study's results, consultation procedures between member countries have now been expanded to cover all measures affecting international investment, whether or not they were "specifically designed to provide incentives and disincentives to international direct investment."

At the May Ministerial Council meeting, Canada became the final OECD country to accept the Code of Liberalization of Capital Movements. This code, which calls for progressively abolishing restrictions on international capital movements, was amended to cover measures affecting right of establishment that are particularly relevant to direct investment by service industries. 2/

1/ TRIMs are investment measures that affect trade or are motivated by trade policy considerations. Examples include local-content regulations and export requirements.

2/ For an example, see the section on progress on services trade agreements in the OECD, in this chapter.

In light of the world debt situation, issues relating to foreign direct investment in developing countries continued to attract attention at OECD in 1984. The CIME adopted a work program aimed at identifying ways to increase the flow of foreign direct investment to developing countries and at assessing its contribution to economic development. The CIME will explore ways to exchange views on investment issues with developing countries. Also, 5 OECD members, in collaboration with 10 developing countries, published a study on new forms of international investment in developing countries. 1/ The study examines trends in new types of investment, the causes of these trends, and their possible implications.

Protectionism and Structural Adjustment

One of the main features of the 1984 Ministerial Council's statement on international trade was the agreement to advance by 1 year, to early 1985, all tariff cuts scheduled for 1986 pursuant to the Tokyo Round of MTW's. 2/ This action was the first significant step taken to fulfill last year's OECD pledge to "make use of the favorable conditions provided by economic recovery to reverse protectionist trends and to relax and dismantle progressively trade restrictions and trade-distorting domestic measures." 3/ The Council also approved a program to develop specific proposals for individual and collective action to fight protectionism. These proposals include (1) studying restrictions by sector, (2) strengthening transparency and discipline in trade and aid financing practices that may have trade-distorting effects, (3) encouraging countries to assess the economic impact of new protectionist measures and to identify offsetting liberalization measures, (4) working towards an international agreement on safeguards to regulate protectionist measures, (5) improving OECD arrangements for dealing with domestic policies that have trade-distorting effects, and (6) possibly examining trade policies by country.

Several committees issued studies analyzing efforts to restrict the spread of protectionism. The Committee on Restrictive Business Practices completed a study that examines how competition policies can help combat protectionism. 4/ The study identifies problems arising from the interplay of competition and trade policies and lays the groundwork for determining possible steps to be taken at the international level to resist protectionist pressures through improved coordination of trade and competition policies. Another study, entitled "Consumer Policy and International Trade," examines the relationship between consumer welfare and protectionist measures. 5/ In November, the OECD held a symposium on the same topic that highlighted consumer efforts to reverse protectionist trends in the OECD area.

1/ OECD, Development Centre Studies, Charles Oman, New Forms of International Investment in Developing Countries, Paris, 1984. This study suggests that foreign direct investment is being replaced by "new forms of investment" consisting of contractual and joint-venture arrangements.

2/ Only Japan has taken steps toward carrying out this agreement. See chap. V for details.

3/ Communiqué of the OECD Ministerial meeting held in Paris on May 18, 1984, OECD Press Release, May 18, 1984.

4/ OECD, "Competition and Trade Policies-Their Interaction," 1984.

5/ OECD, "Consumer Policy and International Trade," 1984.

The short-term costs of adjustment to changing international trade patterns have placed added pressures on governments to take protectionist measures to brake the adjustment process. Yet the long-term costs--lower real output and employment--may be higher. In addition to sponsoring efforts to resist protectionist pressures, OECD governments adopted specific positive adjustment policies to promote flexibility in the product, labor, and capital markets. In May, the Ministers endorsed a set of policy recommendations that "would facilitate rather than impede the adjustment of production structures to new technologies, changing market conditions and shifts in international competitiveness. . . . Strengthening competition, improving regulation and promoting more open trade policies are of key importance." 1/ With respect to the labor market, the Council agreed that real wages should be more responsive to changes in demand and supply conditions and that policies should encourage structural change in ways that create job opportunities and help workers and affected communities to adjust.

CUSTOMS COOPERATION COUNCIL

The Customs Cooperation Council was set up in 1953 to promote common customs procedures among predominantly European states. Its membership now includes most major trading partners of the world. 2/ The CCC and its subsidiary committees aim to harmonize and simplify the technical aspects of customs procedures in order to facilitate trade among members. A major focus of its attention in recent years has been to coordinate preparations for members' implementation of the Harmonized System and to compare differences in rules of origin requirements of members.

During 1984, the Nomenclature Committee and the Interim Harmonized System Committee of the CCC continued to work in joint sessions to revise drafts of the Explanatory Notes for the Harmonized System. Work is expected to be completed in time for the implementation of the Harmonized System on January 1, 1987.

In another area, the Permanent Technical Committee of the CCC completed its drafts of a two-part compendium of rules of origin applied in international trade. This compendium is intended to serve as a basis for future agreement on the simplification and harmonization of rules of origin. The first part, drafted in November 1982, is a comparative study of rules of origin in use by CCC member countries. The various countries will be asked to update their information as to origin rules and procedures and to resubmit it in a format to be agreed upon during 1985. The second part, drafted in August 1984, is a compilation of rules that are particularly difficult to apply and control. Meetings concerning rules of origin will continue, and the second part will later be submitted to the Council for its approval.

1/ Communiqué of the OECD Ministerial meeting held in Paris on May 18, 1984, OECD Press Release, May 18, 1984.

2/ The United States became a member on Nov. 5, 1970. All major U.S. trading partners, except Mexico, are now also members.

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

The United Nations Conference on Trade and Development was created as an organ of the United Nations General Assembly, in December 1964, for the purpose of promoting international trade, especially with a view to accelerating economic development of less developed countries. The first UNCTAD was convened "in order to provide, by means of international cooperation, appropriate solutions to the problems of world trade in the interest of all peoples and particularly to the urgent trade and development problems of the developing countries." ^{1/} Since its inception, UNCTAD's role has been largely limited to exchanges of views on trade and aid problems among countries that are at different stages of economic development and have different economic systems.

UNCTAD's membership is open to all countries that are members of the United Nations or of any of the agencies related to the organization. Its headquarters is in Geneva, and its governing body is the Trade and Development Board (TDB). The TDB is responsible for UNCTAD's functions when the conference is not in session. It implements conference decisions, initiates research studies on trade and related development problems, and carries out preparatory work for the conferences. Seven committees aid the TDB with its work: the Committees on (1) Commodities, (2) Manufactures, (3) Invisibles and Financing Related to Trade; (4) Shipping, (5) Preferences, (6) Transfer of Technology, and (7) Economic Cooperation among Developing Countries. These committees meet every 2 years. The TDB holds 2 or more regular sessions per year and an occasional special session. In 1984, the Board met for its 28th and 29th sessions in March and September, respectively. UNCTAD's conferences are held every 3 or 4 years. Its sixth conference (UNCTAD VI) was held in Belgrade in June 1983.

The following section discusses those trade-related topics that have been the focus of ongoing work since UNCTAD VI: the Integrated Program for Commodities and the Common Fund; protectionism and structural adjustment; and trade preferences and the functioning of the international trading system.

The Integrated Program for Commodities and the Common Fund for Commodities

The integrated commodity program proposed by developing countries and unanimously adopted at UNCTAD's fourth session in 1976 calls for a series of commodity-pricing agreements within a general framework and a common fund to be used primarily for buffer stock financing. ^{2/} The purpose of the Integrated Program for Commodities (IPC) is to "expand and diversify the trade of developing countries, improve and diversify their productive capacity, and improve their productivity and increase their export earnings" ^{3/}

^{1/} United Nations, Proceedings of the United Nations Conference on Trade and Development, Geneva, Mar. 23-June 16, 1964, vol. 1, final act-preamble, 1964, p. 4.

^{2/} Most international commodity agreements use buffer stocks as their price-controlling mechanism. As commodity prices fall to some predetermined level, the buffer-stock manager begins buying to halt the price decline and build up stocks. Conversely, when prices rise to some predetermined level, the manager begins selling to restrain increases in market prices.

^{3/} Proceedings of the United Nations Conference on Trade and Development, vol. 1, Report and Annexes, p. 7.

The 18 commodities initially identified for IPC action were bananas, bauxite, cocoa, coffee, copper, cotton, hard fibers, iron ore, jute, manganese, meat, phosphates, rubber, sugar, tea, tropical timber, tin, and vegetable oils. To date, three agreements have been concluded within the framework of the IPC: the International Agreement on Natural Rubber, concluded in 1979; the International Agreement on Jute and Jute Products, concluded in 1982; and the International Tropical Timber Agreement, concluded in 1983. 1/ The United States participates in the agreements covering rubber and jute. 2/ The rubber agreement, the first agreement to enter into force under the IPC, contains specific market-intervention provisions to dampen excessive price fluctuations. Subsequently, a trend emerged toward arrangements incorporating nonprice stabilization measures. Such agreements, including those on jute and timber, seek to promote research and market development and to improve structural conditions in the market.

The newest commodity agreement, which covers tropical timber, is noteworthy for two reasons: first, tropical timber has never been covered by such an agreement before; and second, ecological dimensions have been taken into account. Discussions designed to set up international agreements in other commodities, such as cotton and tea, continued in 1984.

The Common Fund for Commodities was conceived by developing countries as a mechanism to finance international buffer stock operations and to provide concessional loans or grants to third world producers for such activities as productivity improvements, research, and market promotion. So far, only the agreements on rubber, tin, and coffee are eligible for financing under the Fund's buffer-stock financing facility.

The deadline for ratification of the agreement establishing the Fund was originally set at March 31, 1982, but was extended to September 30, 1983. For the agreement to come into force, 90 countries must ratify it and they must account for at least two-thirds of the fund's directly contributed capital of US\$470 million. The United States has not ratified the agreement. 3/

A general review is being prepared within UNCTAD to examine the role of international commodity agreements in attaining the objectives of the IPC. The report is expected to be completed sometime in 1985.

Protectionism and Structural Adjustment

Resolution 159(VI), adopted at UNCTAD's sixth session, called upon the TDB to undertake an annual review of the problems of protectionism and

1/ In addition to the agreements on natural rubber, jute, and tropical timber negotiated within the framework of the IPC, there are international commodity agreements covering coffee, sugar, wheat, cocoa, and tin. For a discussion of U.S. participation in all international commodity agreements, including non-IPC agreements, see the sec. that follows, entitled "Negotiation and operation of international commodity agreements."

2/ The United States signed the tropical timber agreement on Apr. 26, 1985.

3/ To date, the conditions required for entry into force have not been met. As of March 22, 1985, the agreement had been ratified by 84 nations that account for 50.3 percent of the directly contributed capital of the Fund. An 85th nation is about to ratify the Fund and will raise the directly contributed capital to \$236.7 million or 50.4 percent of the total.

structural adjustment; to formulate appropriate recommendations concerning protectionism; and to review and monitor trade developments and, where appropriate, make general policy recommendations concerning structural adjustment.

Several important points emerged from the annual review conducted at the 28th session of the TDB in 1984. Most delegations agreed that "protectionist pressures continued to prevail and to perpetuate a climate of uncertainty which affected trade as a whole" and stifled global recovery. The majority of the delegations also expressed the view that positive adjustment policies were required "in sectors where loss of competitiveness had led to undue reliance on protectionist measures, to the detriment of the international trading system." Lastly, several delegations noted the link between trade liberalization and the solution of debt problems. 1/

In addition, nearly a year after this mandate had been given to the TDB, the 28th TDB session established a work program on protectionism and structural adjustment. It was designed in light of "the need to strive . . . for an improved, strengthened, open and expanding trading system so as to restore and reinforce confidence" 2/ The work program directs the TDB, in the course of its annual review (to be held at the first regular session each year), to invite governments to provide information on factors relevant to the issues of protectionism and structural adjustment. The TDB will accordingly formulate appropriate policy recommendations. Specific aspects to be addressed in subsequent annual reviews were also enumerated in the work program. They include (1) covering all sectors--agriculture, manufactures, and services--and all countries and groups of countries, (2) examining the problems of protectionism and structural adjustment in a broader context, namely "taking into account, inter alia, the links between international trade and the solution of balance-of-payments problems, . . . and the link between the evolution of world trade and the structure of industries," (3) considering policies to facilitate structural adjustment, (4) fostering greater transparency, (5) identifying trends in all factors important to the structural adjustment process (e.g., technological development), and (6) identifying special problems of the least-developed countries. 3/

The Generalized System of Preferences, Other Preferences, and the Functioning of the International Trading System

Developed countries facilitate the expansion of imports from developing countries generally through pursuit of liberal trade and investment policies, and specifically through their GSP schemes. 4/ The GSP is a framework under which developed countries accord preferential tariff treatment to manufactured

1/ For the views of various UN delegates, see United Nations Conference on Trade and Development, Trade and Development Board, "Report of the Trade and Development Board on its Twenty-Eight Session," Geneva, May 23, 1984, pp. 93-142.

2/ Ibid., p. 11.

3/ Ibid., p. 11.

4/ For a discussion of the operation of the U.S. GSP system in 1984, see chap. V. See the Operation of the Trade Agreements Program, 35th Report, 1983, pp. 15-25, for a detailed discussion of the renewal of the U.S. GSP program.

goods exported by developing countries. The UNCTAD Special Committee on Preferences, responsible for overseeing the GSP, met in 1984 to review and evaluate the GSP. While the preference-giving countries concentrated on explaining the improvements they had made in the scheme, including new benefits for the least-developed nations, the developing countries condemned the introduction of graduation. Under the graduation policy, preferential treatment is eliminated or phased out on those products from a particular country that would be competitive without duty-free status. Developing countries argue that graduation is not in the spirit of the original GSP concept and disregards the principle of nondiscrimination.

Developing countries assert that the introduction of graduation under GSP is only one example of the serious erosion that has taken place in the principles and rules of the multilateral trading system. In an examination of the trading system following the last round of multilateral trade negotiations, the TDB identified four main characteristics: (1) decreased reliance on tariffs as a protectionist measure, (2) increased use of "flexible measures of protection," particularly antidumping and countervailing duty cases, (3) the trend towards managed trade (i.e., the adoption of measures controlling prices, quantities, and the sources of imports) occurring outside the GATT framework (e.g., use of voluntary export restraints) and covering more sectors, and (4) reduced reliance on unconditional MFN treatment as the guiding principle of international trade relations. This report culminated in UNCTAD VI mandating the TDB to "review and study in depth the developments in the international trading system" and to make proposals and recommendations with respect to the strengthening and improvement of the system. In 1984, a background study was written to help fulfill the mandate. It suggested that the review be used as "an exercise in consensus building." Progress would require broad agreement on two major fronts: (1) what is wrong with the system, and (2) concepts on which an improved system should be based. The background study also suggested key elements on which the TDB should focus attention, including the problem of insufficient security of market access. The review could (1) suggest ways to decrease pressures for protectionist measures, possibly by accompanying trade concessions with domestic structural adjustment policies, (2) identify the causes and effects of the proliferation of protectionist and discriminatory measures in specific sectors and suggest multilaterally acceptable solutions, (3) consider ways to facilitate negotiations between countries at different development levels and with different economic and social systems, (4) study ways to foster dynamic trade between market and nonmarket economies, and (5) examine how longer term objectives for growth and development can be met. An attempt by the developing countries to speed up the review process was rejected by the industrialized nations at the 29th TDB session in September.

Work continued in 1984 towards the establishment of the Global System of Trade Preferences (GSTP). The GSTP is the first attempt to create a preferential trading system among developing countries to cover both tariff and nontariff trade barriers. It is intended to supplement any existing regional and inter-regional trade agreements and will cover manufactures as well as commodities. While the aim of the scheme is to generate South-South trade, developed countries have supported the project. These nations have warned, however, that the negotiation process must observe the principles of transparency and universality, and that the GSTP must not conflict with GATT obligations. In 1984, the technical preparatory work to facilitate the

negotiating process was all but completed; background material was prepared examining the nature and diversity of import control measures of the developing countries and their impact on trade. Issues relating to the negotiation and application of tariff and nontariff preferences were also discussed.

NEGOTIATION AND OPERATION OF INTERNATIONAL COMMODITY AGREEMENTS

The negotiation of international commodity agreements grew out of the concern of both producing and consuming nations over the disruptive effects of wide fluctuations in commodity prices. During the mid-1970's, international commodity agreements became an issue of particular interest, reflecting the importance of commodities trade to the developing countries. Since then, commodities policy has been in the forefront of North-South dialogue. UNCTAD is the forum most actively involved in this issue. 1/

The following sections summarize the operation in 1984 of international commodity agreements covering coffee, sugar, wheat, cocoa, and tin as well as the IPC agreements on natural rubber, jute, and tropical timber. Five of these agreements--on coffee, sugar, natural rubber, tin, and cocoa--contain specific price-stabilization mechanisms designed to reduce fluctuations in prices; improve long-run producer earnings; and deliver a steady, adequate, and reasonably priced supply of the commodity to customers. These agreements provide for market intervention by a variety of means. Buying and selling of buffer stocks to moderate price swings is one prominent method. Assigning production and export quotas is another. On the other hand, the agreements covering wheat, jute, and tropical timber were not specifically designed to minimize price fluctuations. Instead, they seek to promote research and market development.

At the end of 1984, the United States was participating in the agreements covering coffee, sugar, wheat, jute, and natural rubber. 2/ The United States may enter into international commodity agreements through executive agreements, treaties requiring ratification by a two-thirds majority of the Senate, or by specifically enacted legislation; a treaty is the customary route. In general, the United States Government has reservations concerning international price stabilization schemes on the grounds that they might create long-term market distortions. In the U.S. view, world markets should be allowed to operate freely and without government interference. U.S. policy is generally to promote research and development funding rather than market intervention.

In 1984, the jute agreement entered into force provisionally and the agreement covering cocoa, set to expire in September 1984, was extended for 1 more year. Negotiations took place for new agreements covering cocoa, natural rubber, and sugar.

Despite the economic recovery, the rate of increase in wholesale prices of nonoil commodities in U.S. dollar terms decelerated significantly in 1984. The IMF index of nonoil commodity prices rose by 2.4 percent in 1984 following a 7.8 percent increase in 1983. 3/ In addition, the 1984 index remained

1/ See the previous section of this report for a discussion of UNCTAD's Integrated Program for Commodities (IPC).

2/ The United States signed the tropical timber agreement on Apr. 26, 1985.

3/ The IMF wholesale price index is a weighted average of prices for 30 commodities.

18.0 percent below the 1980 record level. If the impact of the appreciation of the U.S. currency on dollar prices is taken into account, however, the 1984 index (in SDR terms) was 6.8 percent higher than in 1983, and 4.1 percent higher than in 1980.

Coffee

The current International Coffee Agreement (ICA) entered into force in October 1983, following the expiration of the 1976 Coffee Agreement. It covers a 6-year period that may be extended for an additional 2 years under the present terms. In 1984, the terms of the ICA remained essentially unchanged from those of the previous year. The ICA has no provision for a buffer stock, but it does provide for export quotas. ^{1/} The agreement is administered by the International Coffee Organization (ICO) under rules and regulations established by the International Coffee Council (ICC).

In 1984, the ICC agreed to establish a global export quota of 61.0 million 60-kilogram bags (a bag is equivalent to about 132 pounds) for the 1984/85 crop year. This global quota was made up of 58.2 million bags (up about 8.6 percent from the number in 1983) for exporting members entitled to a basic quota and 2.8 million bags (up about 7.7 percent from the number in 1983) for exporting members exempt from the basic quota. The initial annual export quota of 61.0 million bags was to be distributed over the four quarters of crop year 1984/85 in equal amounts.

The trigger prices for upward and downward quota movement remained the same as in 1983. The trigger prices operate in the following manner: if the 15-day moving average of the composite indicator price is at or below \$1.35 per pound, the export quotas are reduced on a pro rata basis by an amount of 1.0 million bags; if the 15-day moving average of the composite indicator price is at or above \$1.40 per pound, export quotas are increased by an amount of 1.0 million bags. In December 1984, the 15-day composite indicator price reached \$1.35. Consequently, the global export quota was decreased by a million bags to 60.0 million for the 1984/85 coffee year. The export quotas may be increased or decreased further, depending on additional changes in the 15-day moving average of the composite indicator price.

Table 5 indicates that during 1980-84, the yearly average of the ICO's composite indicator price (1976 basis) ranged from \$1.51 to \$1.15 per pound. In 1984, the monthly average composite indicator price ranged from \$1.48 per pound in May to \$1.35 per pound in December. Less coffee was harvested due to climatic and transportation problems in major producing countries, and thus prices in 1984 averaged about 10 percent higher than 1983 prices. Although the agreement's price objectives were largely met in 1984, the allocation of export quotas among participating countries remained a problem. In addition, because sales to nonmembers are excluded from the export quotas, lower prices have been offered in these markets relative to the quota markets. As a result, a two-tier market has developed and coffee has been illegally shipped from nonquota to quota markets.

^{1/} For more details about the ICA, see the Operation of the Trade Agreements Program, 33d Report, 1981, (U.S. International Trade Commission, USITC Publication 1308, 1982, pp. 84-86).

Table 5.--Green coffee: International Coffee Organization monthly average composite indicator prices, 1/ on the basis of the 1976 agreement, 1980-84 (In cents per pound)

Period	1980	1981	1982	1983	1984
January-----	\$1.66	\$1.25	\$1.24	\$1.27	\$1.39
February-----	1.63	1.20	1.34	1.24	1.41
March-----	1.77	1.20	1.29	1.22	1.44
April-----	1.72	1.21	1.24	1.22	1.44
May-----	1.82	1.17	1.21	1.25	1.48
June-----	1.75	.99	1.21	1.23	1.45
July-----	1.52	1.04	1.16	1.24	1.41
August-----	1.34	1.07	1.17	1.25	1.43
September-----	1.25	1.07	1.23	1.27	1.42
October-----	1.26	1.18	1.29	1.36	1.36
November-----	1.16	1.25	1.30	1.38	1.38
December-----	1.20	1.23	1.31	1.40	1.35
Average-----	1.51	1.15	1.25	1.28	1.41

1/ The indicator price is a composite of the ex-dock New York and Hamburg-Bremen prices of "Other Mild Arabica" and ex-dock New York and Marseilles-Le Havre prices of Robusta-type green coffee. The ex-dock price of a commodity includes the costs of making the goods available at dockside of the port named.

Source: Compiled from ICO data reported by the U.S. Department of Agriculture and the U.S. Department of Commerce.

Sugar

The 1977 International Sugar Agreement (ISA) entered into force on January 1, 1978. The United States has participated in the ISA since it became effective. The International Sugar Organization, located in London, administers the agreement.

The ISA functions through a system of buffer stocks and export quotas. They are manipulated to dampen fluctuations in the free market price of sugar. 1/ The ISA has been generally ineffective in controlling the free market price of sugar. The target price range in the ISA during 1982-84 was 13 to 23 cents per pound. The monthly average price has been below that range since February 1982 (table 6).

The ineffectiveness of the ISA to regulate sugar prices is in large part the result of sugar's unique characteristics. Sugar is one of the most widely grown crops in the world, owing to the fact that identical refined sugar is obtained from tropically grown sugar cane and from temperately grown sugar beets. Individual countries also heavily regulate their production and trade in sugar. Relatively little sugar is traded on the so-called free market. In recent years, about 72 percent of world sugar production has been consumed in

1/ For additional details, see the Operation of the Trade Agreements Program, 33d Report, 1981, pp. 86-88.

Table 6.--Raw sugar: Monthly world market prices,
on the basis of the 1977 ISA, 1/ 1979-84

(In cents per pound)

Period	1979	1980	1981	1982	1983	1984
January-----	7.57	17.16	27.78	12.90	6.03	6.97
February-----	8.23	22.75	24.09	13.07	6.43	6.64
March-----	8.46	19.64	21.81	11.26	6.20	6.42
April-----	7.59	7.82	21.25	17.83	9.58	5.99
May-----	7.85	30.94	15.06	8.11	9.24	5.61
June-----	8.14	30.80	16.38	6.84	10.74	5.53
July-----	8.52	27.70	16.34	7.80	10.53	4.54
August-----	8.85	31.77	14.76	6.77	10.56	4.05
September-----	9.90	34.74	11.65	5.76	9.43	4.10
October-----	11.94	40.55	12.04	5.93	9.69	4.64
November-----	13.68	37.81	11.97	6.52	8.33	4.36
December-----	14.93	28.79	12.98	6.31	7.67	3.55
Average-----	9.66	28.66	16.89	8.40	8.46	5.20

1/ International Sugar Agreement, monthly average prices (f.o.b., Caribbean ports, bulk basis) calculated in accordance with art. 61 of the 1977 agreement.

Source: Compiled from data reported by the United Nations Conference on Trade and Development.

the country of origin (often at prices and quantities established by the government) and about 8 percent has been sold in preferential markets. Hence, only about 20 percent has been traded on the free market. The free market thus bears a disproportionate share of sugar shortages and surpluses, with price instability being the result. When crop failures reduce supplies, producing countries supply their domestic needs first, preferential arrangements second, and the free market demand last. The free market world price often soars as a result. Similarly, when there are bumper harvests, the free market becomes a distress market and prices plummet. Furthermore, since sugar cane is a perennial crop that requires about 20 months from planting to reach full production (which then is continued for several years), the price swings usually are extended (especially on the down side).

The 1977 ISA expired on December 31, 1984. During 1984, efforts to negotiate a new ISA ended in failure due to a lack of agreement on the format for a new agreement. Because sugar prices have remained consistently below the price range established in the agreement in recent years, a new ISA would require a substantial reduction in the amount of sugar going to the world market. Since major producers could not agree on how these cuts could be distributed among the exporters, an ISA with no economic provisions was negotiated. Under this administrative agreement, effective January 1, 1985, the International Sugar Organization will remain in existence to gather statistics and serve as a forum for the negotiation of a new agreement.

Wheat

The International Wheat Agreement (IWA), unlike most intergovernmental commodity agreements, has no provisions for buffer stocks, intervention price ranges, or export quotas. The IWA consists of a Wheat Trade Convention and a Food Aid Convention. It is administered by the International Wheat Council, the only commodity organization in which the United States has membership as an exporting nation. The principal activities of the organization consist of exchanging trade data, collecting information on food needs, and coordinating the provision of food aid to developing-country members. 1/ The original agreement, negotiated in 1971, has been extended eight times; the last extension was for 3 years to June 30, 1986. Extensions of the agreement are made by virtue of the existence of a separate protocol ratified by each of the member nations and deposited at the U.S. Department of State. Although the United States is a signatory to the agreement, the last extension, signed on behalf of the United States by the Secretary of Agriculture on April 25, 1983, and submitted to the Senate on July 11, 1983 for advice and consent, has not yet been acted upon by the Senate.

In crop year 1984/85, 2/ the world supply of wheat continued to rise, and world wheat prices continued to be on the low side relative to those in the early 1980's. Total world production in 1984/85 was 509 million metric tons, up 4 percent from 489 million tons in 1983/84. During the same period, world wheat exports increased 3.5 percent to about 107 million tons, while consumption rose 4 percent to 505 million tons. The global wheat situation is one in which production exceeds consumption, and all major exporters have abundant supplies. This has resulted in aggressive competition and increasing amounts of wheat being used as feed for livestock. Imports by the U.S.S.R. increased to 26 million tons, up 27 percent from the 20.5 million tons of 1982/83. Imports by China increased slightly, up to 10 million tons from 9.6 million tons, although the long-term trend is one of decreased imports by China, as evidenced by nonrenewal of long-term grain agreements. 3/ The increase in world wheat supplies continued with favorable developments of Southern Hemisphere crops, putting additional pressures on wheat prices. The average price of wheat in 1983/84 was \$186.40 per ton 4/. The 1984/85 average price 5/ was \$176.04 per ton, ranging from a low of \$169.00 to a high of \$182.00.

1/ For more details about the IWA, see the Operation of the Trade Agreements Program, 33d Report, 1981, pp. 89 and 90.

2/ June 1984 to May 1985, using January 1985 U.S. Department of Agriculture, (Foreign Agricultural Service) projections.

3/ For calendar-year data on U.S. exports of wheat to the U.S.S.R. and China, see the Commission's 41st Quarterly Report to the Congress and the Trade Policy Committee on Trade Between the United States and the Nonmarket Economy Countries during 1984, USITC publication 1662, March 1985; also the 33d and 37th in this series, covering 1982 and 1983.

4/ C.i.f. Rotterdam price for U.S. No. 2 Dark Northern Spring Wheat (14 percent protein).

5/ Based on June 1984 to January 1985 prices (arithmetic mean).

Cocoa

The Third International Cocoa Agreement (ICCA), 1/ administered by the International Cocoa Organization, has been in effect since August 1, 1981, replacing the ICCA, 1975, and its predecessor, the ICCA, 1972. It was scheduled to terminate on September 30, 1984; however, during 1984 it was extended for 1 year. Discussions took place to develop a successor agreement throughout 1984, but little progress was made. 2/

The ICCA functions through a system of buffer stock purchases and sales. One of the objectives of the agreement is to stabilize the price of cocoa beans within an "indicator price" range of \$1.00 per pound to \$1.60 per pound. During most of 1984, the indicator price remained within the price range specified in the agreement. The agreement also provides for a maximum buffer stock of 250,000 metric tons. Buffer stock acquisitions are financed by a 2-cent-per-pound fee on exports from member countries (and on imports by member countries from nonmember exporters); however, the buffer stock ran out of funds in 1982.

The United States has not been a member of any of the ICCA's because of the belief that buffer stock agreements generally do not work, that there is inadequate funding for the agreement, and that unrealistic price ranges are specified in the agreement.

Tin

The Sixth International Tin Agreement (ITA) covers a 5-year period that began in July 1982 and may be extended for an additional 2 years under the present terms. The International Tin Council (ITC) administers the agreement. Although the United States, the largest tin importer, was a member of the Fifth ITA, it did not join the Sixth ITA. Malaysia, the world's largest tin producer, urged consumers at the March 1984 quarterly meeting to ratify the Sixth ITA by the required 80-percent majority so that the agreement would come fully into effect rather than only provisionally, as it now operates. 3/ Under such a move, members would be obliged to pay up the balance of their dues, amounting to the cash equivalent of 10,000 metric tons of tin. Approval would also automatically increase the ceiling on the buffer stock to 50,000 metric tons from the current 39,666 metric tons. Expansion of the buffer stock is viewed principally as a device for supporting the price of tin. Despite such pleas by producing nations, consumers continued to resist ratification in 1984 in an effort to maintain current price levels.

Throughout 1984, the export controls on tin producing nations 4/ established by the ITC in June 1983 were maintained by the ITC to support

1/ The two C's in the initials for the International Cocoa Agreement (ICCA) are used to distinguish it from the International Coffee Agreement (ICA).

2/ A conference held in early 1985 also ended without a replacement agreement due to differences between producing and consuming nations on price levels and the mechanism for revising them.

3/ At present, the Sixth ITA has been ratified by only a 65 percent majority of consuming nations.

4/ Under these controls tin exports were limited to 22,000 metric tons per quarter, or 39.6 percent less than exports for the base period, the third quarter of 1981.

sagging tin prices. Daily New York tin prices during the first quarter of 1984 averaged \$5.95 per pound, which was modestly higher than the ITA established floor price of \$5.65 per pound. This compares to an average daily tin price of \$6.06 per pound for the fourth quarter of 1983. Daily tin prices averaged \$6.03 per pound for the second quarter of 1984 before falling to \$5.93 in the third quarter and to \$5.73 in the final quarter. 1/ Relatively weak tin prices resulted from what the industry still considers to be a huge world tin stock surplus of some 68,000 metric tons at the end of 1984, despite an inventory reduction from a world surplus of 80,000 metric tons at the end of 1983.

In 1984, prices on the London Metal Exchange (LME) were consistently lower than prices on the Penang exchange and the Kuala Lumpur Tin Market (KLTM) 2/ due to the strength of the Malaysian and U.S. dollars relative to the British pound. ITC operational procedures require acquisition of tin on the KLTM to maintain its floor price even though spot prices may be lower on the LME. At the September quarterly ITC meeting, the buffer stock manager proposed limiting acquisition requirements on the KLTM to a certain range of prices, based on currency and market considerations, allowing tin prices to fall below the floor price, if necessary, while the manager looks for an opportunity to regain the floor price as market conditions allow. However, tin producers have opposed a flexible floor pricing scheme, fearing that prices would fall to unreasonably low levels.

The sale of surplus tin from the U.S. Government stockpile by the General Services Administration (GSA) remained a contentious issue within the world tin community in 1984. By yearend 1984, GSA had disposed of 2,397 metric tons of tin, in compliance with its memorandum of understanding (MOU) with major tin-producing nations that limited GSA sales in order not to depress world tin prices. 3/ Tin-producing nations urged the United States to limit GSA sales to 3,000 metric tons annually by extending the MOU into 1985. GSA sources predict, however, that over 3,200 metric tons of tin could be disposed of in 1985, given firm purchase commitments from U.S. ferroalloy processors. 4/

1/ Tin prices are quoted on the KLTM in Malaysian dollars. When the price of tin falls to the floor price (M\$29.15 or US\$5.65), the buffer-stock manager is required to buy tin on the open market to support prices. During 1984, average daily tin prices on the KLTM averaged only M\$29.16, or slightly above the floor price.

2/ On October 1, 1984, the KLTM succeeded the Penang exchange. The KLTM functions in much the same manner as the Penang exchange, with the buffer-stock manager intervening to influence tin prices as he did in Penang. So far, Malaysia and Australia are the only producing countries to sell their tin on the KLTM.

3/ In December 1983, the United States, Malaysia, Thailand, and Indonesia signed a memorandum of understanding (MOU) that imposed a ceiling on GSA sales of 2,865 metric tons in 1984. The entire U.S. strategic tin stockpile, as of December 1984, equalled 189,725 metric tons.

4/ Nevertheless, on April 3, 1985, the United States and tin-producing nations agreed to extend the MOU into 1985. Under the provisions of the agreement, the United States and tin-producing countries are committed to consultations if the amount of tin disposed of by GSA exceeds 3,000 metric tons during 1985.

The efforts of the ITC to restrict GSA tin sales have been part of a larger effort to restrain non-ITC exports of tin into the world market. The ITC is particularly concerned with exports by Brazil, a non-ITC producer. Brazilian officials have refused to discuss their tin production and exports with the ITC, while Brazilian producers have opposed any moves by their government to join the ITC. Brazilian exports accounted for 14,500 metric tons, or almost 75 percent of total Brazilian production, in 1984. At the same time, the ITC remains concerned about the smuggling of tin concentrates from Thailand into Singapore for smelting, in defiance of ITC export quotas. Industry sources estimate that smuggling adds 10,000 to 20,000 metric tons annually to the market. The ITC has thus far relied on appeals to Brazil, Singapore, and consuming nations to deal with these problems, which exacerbate the existing tin surplus situation. The Council is contemplating stronger actions, such as imposition of more stringent export quotas, if corrective action is not taken.

Another factor in the market with the potential to affect tin prices is the Association of Tin Producing Countries (ATPC). 1/ The ATPC had a very negligible impact on the market in 1984 due to the inability of member producing nations to agree on further export limitations at a time of worldwide tin oversupply.

Natural Rubber

Developing countries account for virtually all of the world's production and exports of natural rubber. The purpose of the International Natural Rubber Agreement (INRA), the first commodity agreement concluded under UNCTAD's Integrated Program for Commodities, is to stabilize world prices without disrupting long-term market trends and to ensure adequate supply.

INRA entered into force for the United States in May 1981. 2/ The current agreement expires in October 1985, with a provision for extension on the present terms for up to 2 years. At a meeting of the signatories in May 1984, agreement in principle was reached to begin negotiation of a new agreement. A negotiating conference is scheduled to take place during the first half of 1985. The parties anticipate extension of the current agreement to permit adequate time for negotiation and ratification of a new agreement. 3/

The buffer stock established in the agreement provides the sole mechanism for market intervention to stabilize prices. 4/ At the end of 1984, the

1/ The ATPC, consisting of Malaysia, Indonesia, Thailand, Australia, Bolivia, Zaire, and Nigeria, began operations in 1983 and acts independently of the ITA. While the ATPC is not authorized to impose such economic measures as export controls, other unspecified economic measures to support tin prices may be considered. Its actions thus far have been confined primarily to the areas of tin research and development of new uses for tin.

2/ See the Operation of the Trade Agreements Program, 33d Report, 1981, p. 91, for more detail.

3/ Telephone conversation with Gordon Jones, U.S. Dept. of State, March 6, 1985.

4/ See the Operation of the Trade Agreements Program, 32nd Report, 1980 (U.S. International Trade Commission, USITC Publication 1307, 1982), Operation of the Trade Agreements Program, 33d Report, 1981, and Operation of the Trade Agreements Program, 34th Report, 1982, for additional details.

buffer stock contained 270,000 metric tons, bought in 1982 and 1983. No significant purchases or sales were made in 1984, though some stock was rotated. The operation of the buffer stock is governed by a daily market indicator price. 1/ In January 1984, this price averaged 239.74, which was near the "may sell" intervention level. 2/ The price fell during 1984 as production outran current consumption, ending the year (December 1984 average) at 175.86, near the "may buy" level. 3/ Though the indicator price reached the discretionary zones in both directions for brief periods during 1984, the buffer stock manager chose not to buy or sell during those periods.

Supplies of natural rubber were adequate in 1984. The International Rubber Study Group reports world production of 4.335 million metric tons in 1984 with world consumption in the same period of 4.275 million metric tons. The United States, the world's largest user, consumed 800,000 metric tons in 1984, a 20-percent increase over depressed levels in 1983, while Japan, the world's second largest user, consumed 540,000 metric tons. 4/ Natural rubber, which represents about one-third of the total market for elastomers, is slowly increasing its share of the market, largely because of natural rubber's superior performance in radial tires, aircraft tires, and large tires for off-the-road equipment, growing markets for elastomers.

Jute

The International Agreement on Jute and Jute Products (IJA), the second commodity agreement to be negotiated under the framework of UNCTAD's Integrated Program for Commodities, was adopted on October 1, 1982. On January 9, 1984, the agreement entered into force provisionally, since the conditions for definitive entry into force had not been met. 5/ By the end of 1984, 19 importing countries (representing 60 percent of world imports) and 5 exporting members (accounting for 99 percent of world exports) had become signatories to the agreement.

The newly formed International Jute Organization (IJO), which administers the agreement, plans to set up a functioning body composed of producing, exporting, and importing nations that would work together to improve the

1/ A composite-weighted average of the prices of three types of natural rubber in four major international markets, expressed in fictional "Malaysian/Singapore" dollars, partially defined in INRA and partially an agreement projection over the life of the agreement prepared by the U.S. Department of State, as provided in articles 30 and 40 of the INRA.

2/ For an explanation of "may sell", "may buy" and similar terms incorporated in INRA, see Operations of the Trade Agreements Program, 33d Report, 1981, pp. 92-94.

3/ Ibid.

4/ Production and consumption estimates from International Rubber Study Group, Rubber Statistical Bulletin, January 1985. The International Rubber Study Group is the recognized authority in assembly and integration of disparate government, trade association, and other sources of statistics pertaining to rubber, making careful estimates where necessary to fill gaps and reconcile discrepancies.

5/ Pursuant to article 40 of the IJA, 3 countries representing at least 80 percent of the net exports and 20 countries accounting for at least 65 percent of net imports must sign the IJA to bring it into force.

market for jute and jute products. The new organization would accomplish its objectives primarily through projects in research and development, market promotion, and production cost control intended to benefit both producers and consumers. The IJA does not contain provisions for the establishment of buffer stocks, price stabilization measures, or export quotas that are often part of other international commodity agreements.

On May 7, 1984, a projects committee met in Dhaka, Bangladesh. Seven research and development projects and market promotion plans were approved, although none were initiated. Top priority has been given to three of these projects: (1) United States market development, (2) Japanese market promotion, and (3) Western European market promotion. The funds needed to operate the three projects, approximately \$2.2 million, have not been totally acquired.

World production of jute fiber declined slightly in the last few years. Annual production averaged 3.3 million metric tons during crop years 1980-84 and is expected to decline to 3.1 million metric tons in crop year 1984-85. Average annual world production during 1975-78 was 3.1 million metric tons. India, the largest producer, provided 42 percent (1.3 million metric tons) of the total world jute output (3.2 million metric tons) in crop year 1983-84. Bangladesh and China were the second and third largest producers, accounting for 26 and 16 percent, respectively, of the world output.

World exports of jute fiber have continued to decline annually in recent years and amounted to 454,900 metric tons in crop year 1983-84, 9 percent less than the 1980-84 crop-year average of 501,200 metric tons. The level of average annual world exports in crop years 1975-78 was 556,000 metric tons. Developing countries accounted for virtually all exports. Bangladesh, the largest exporter, accounted for 76 percent (344,300 metric tons) of the total in crop year 1983-84, down from 1982-83, when Bangladesh accounted for 82 percent of the total.

World exports of jute products (including yarn, sacking, bags, carpetbacking, and fabrics) amounted to 1.1 million metric tons in crop year 1983-84, an 8-percent decline from the 1975-78 and 1980-84 crop year averages of 1.2 million metric tons. As with jute fiber, developing countries represent the largest share of total world exports of jute products, accounting for 86 percent in 1983-84. Bangladesh, the largest exporter, provided 45 percent of the total in 1983-84. India, the second major exporter, provided 22 percent. Bangladesh has maintained its leading position by aggressive marketing, use of modern machinery, and lower labor and raw jute costs relative to India.

World imports of jute fiber were estimated at about 450,000 metric tons in 1984. This amount was 7 percent less than that of the previous year and 13 percent less than the average annual imports of 517,800 metric tons during 1980-84. Developing countries accounted for slightly more than one-half of such imports in 1983. Pakistan accounted for the largest share (25 percent) of imports by developing countries; China and Thailand accounted for 18 and 11 percent, respectively. The Soviet Union, the largest developed country importer, accounted for about 26 percent of the developed countries' imports; the United States about 7 percent.

World imports of jute products increased slightly in 1984 from the previous year, amounting to approximately 1,175,000 metric tons; however imports in 1984 were less than the average annual level of 1,215,000 metric tons during 1980-84. Developed countries accounted for about two-thirds of total imports. The Soviet Union was the largest importer of jute products in 1983, accounting for 14 percent of total world imports. The United States, the largest importer of jute products in recent years, accounted for 12 percent of total world imports. Iran was the largest importer of jute products among the developing countries in 1983 and accounted for 6 percent of total world imports.

The major concern for IJO members is jute's competitive position with synthetics, primarily polypropylene. Jute competes with polypropylene largely on price for its share of the end-use product market. In 1983 and 1984, the price of jute fiber increased more rapidly than that of polypropylene, as shown in the following table.

Table 7.--Polypropylene and jute fiber: Quarterly prices, 1983 and January-June 1984

Period	(In dollars per ton)		
	Polypropylene	Jute <u>1/</u>	
		Type 1 <u>2/</u>	Type 2
1983:			
1st quarter-----	690	269	312
2d quarter-----	690	283	328
3d quarter-----	750	295	338
4th quarter-----	815	361	381
1984:			
1st quarter-----	816	397	408
2d quarter-----	840	410	421

1/ Representative export prices from Bangladesh.

2/ "Type" refers to the grade of fiber.

Source: Compiled from data reported by the Food and Agriculture Organization of the United Nations.

The increase in jute prices attributed to smaller production by the major jute-producing countries which caused a decline in stocks and reduced the availability of jute fiber for export. The fiber price changes, along with other production variables, resulted in a very large change in relative prices of carpetbacking, one of the principal end uses of jute. As shown in the following table, jute carpetbacking prices increased approximately three times faster than that of polypropylene during 1983-84.

Table 8.--Jute and polypropylene carpetbacking: Quarterly prices, 1983-84

(In cents per linear yard)				
Period	Type 1		Type 2	
	Jute (6 oz.)	Polypropylene (16X8)	Jute (5.5 oz.)	Polypropylene (16X6)
1983:				
1st quarter-----	68.00	70.00	61.00	62.00
2d quarter-----	65.00	70.00	58.00	62.00
3d quarter-----	68.00	70.00	61.35	62.00
4th quarter-----	69.50	74.00	62.50	62.00
1984:				
1st quarter-----	73.00	78.00	66.00	70.00
2d quarter-----	78.00	78.00	72.00	70.00
3d quarter-----	92.00	82.00	86.00	74.00
4th quarter-----	104.00	82.00	98.00	74.00

Source: Compiled from data reported by the Food and Agriculture Organization of the United Nations.

Tropical Timber

After 7 years of preparatory work, the Secretary-General of the United Nations Conference on Trade and Development convened the United Nations Conference on Tropical Timber in 1983. In November 1983, the Conference established the text of the International Tropical Timber Agreement, 1983. The United States had a major role in the shaping of the agreement, which is not a price stabilization agreement but rather is geared to research and development and market promotion activities (all of which are to be financed by voluntary contributions). The agreement is scheduled to enter into force by April 1, 1985, if a sufficient number of producing and consuming countries sign the agreement. ^{1/}

OTHER TRADE AGREEMENTS ACTIVITIES

The Bilateral Investment Treaty Program

The U.S. Bilateral Investment Treaty (BIT) Program was launched in late 1981 for the purpose of encouraging American direct investment abroad. ^{2/} Through the negotiation of bilateral investment treaties with interested countries (usually low and middle-income developing countries), U.S. investors abroad are guaranteed certain rights and protections. When the risks and restrictions associated with overseas investment are thus eliminated, U.S. international investment flows should increase, particularly to developing countries.

^{1/} The agreement entered into force provisionally on Apr. 1, 1985. Ten producing countries and 14 consuming countries had signed the agreement by that date. On Apr. 26, 1985, the United States signed the agreement.

^{2/} For a complete discussion of the BIT program, see the Operation of the Trade Agreements Program, 35th Report, 1983, pp. 36-43.

The U.S. Government negotiates BIT's using a prototype treaty that has four main objectives: (1) national or MFN treatment, (2) freedom to transfer profits and other funds across borders, (3) prompt and fair compensation in the event of expropriation, and (4) procedures for dispute settlement. The first treaty model was released in January 1982. The current model, which is a streamlined version of the original and should facilitate the negotiating process, dates from February 1984.

Since the beginning of the program, the United States has held preliminary discussions with over 40 countries. By the end of 1984, five countries--Panama, Egypt, Senegal, Haiti, and Zaire--had signed BIT's with the United States. These treaties are expected to be sent to the U.S. Senate for ratification in mid-1985. Furthermore, agreements with Costa Rica, Morocco, and Cameroon are near completion, and negotiations are currently underway with China, Malaysia, Bangladesh, Ivory Coast, Honduras, Burundi, Gabon, Liberia, Indonesia, Sri Lanka, and Turkey.

Progress on Services Trade Agreements in 1984

International trade in services has been estimated at over \$500 billion annually or approximately 20 percent of total world trade. 1/ Yet little agreement exists on the role services should play in trade policy. In 1984, as countries continued to broaden their understanding of the importance of services in their economies, as well as in the world economy, steps towards international cooperation on services trade issues intensified. 2/

The United States is particularly interested in easing restrictions on international trade in services. In 1980, services comprised about 52 percent of total U.S. output, compared with 37 percent in manufactures. In addition, while the United States remains the largest single-country exporter of services, record U.S. trade deficits have been partially blamed on the shrinking surplus in services. Unless restrictions on access to foreign markets can be lifted, the potential for U.S. export growth will be limited. U.S. initiatives for multilateral action to ease trade impediments have been resisted, however. Some countries are reluctant to liberalize trade in services because they do not yet feel sufficiently competitive with American suppliers. Developing countries are particularly unwilling to liberalize services trade; they call the effort "premature" and place priority on the completion of the 1982 GATT work program. Nevertheless, the GATT, the OECD,

1/ For an extensive discussion of services trade issues, including problems of definition and data collection, see the Operation of the Trade Agreement Program, 35th Report, 1983, p. 142.

2/ Services comprised well over 50 percent of the gross domestic product (GDP) in each of the member countries of the European Community in 1981. In 1979, more than half of the work force in 12 developing countries was employed in services. (See the national studies on trade in services submitted by the United States and Japan to the GATT.) In addition, UNCTAD issued a report stating that "many services play a far more important role in the development process than is indicated by their direct contribution to GDP." United Nations Conference on Trade and Development, Trade and Development Board, "Services and the Development Process," August 2, 1984. (See the next section entitled "Services activities in multilateral forums-UNCTAD.")

and the UNCTAD all hosted important services trade discussions in 1984. 1/ While the GATT and the OECD have confined discussions to issues and problems related to trade in services, the UNCTAD is studying services' role in the development process. Since the GATT is the only international organization offering a contractually binding framework, the United States prefers GATT to be the forum for consideration of an agreement on trade in services.

In addition to pushing for a multilateral approach to services trade, in October President Reagan signed the Trade and Tariff Act of 1984, which includes four major provisions related to services. First, section 301 of the 1974 trade act was amended to place services on an equal par with goods. The Trade Act also established a Service Industry Development Program in the Department of Commerce designed to collect services trade data and develop policies to promote U.S. services abroad. Furthermore, achieving an internationally agreed on set of rules to help ensure open international trade in services was officially declared a negotiating objective. Finally, the act authorized the establishment of a free trade agreement (FTA) with Israel. 2/

Services activities in multilateral forums

The following sections outline the ongoing work programs on services trade issues in the GATT, OECD, and UNCTAD. Trade agreements activities in three major service industries will then be discussed: insurance, maritime transportation, and telecommunications services. Each of these industries was significant in terms of international development in 1984.

General Agreement on Tariffs and Trade

In November 1982, a comprehensive work program on services trade issues was launched at the GATT Ministerial meeting. In order to provide a foundation for discussion of services trade issues, GATT members were asked to undertake national examinations of their service industries and to exchange information on issues in this area of trade. By the end of 1984, 13 national studies had been submitted on trade in services. 3/ The reports were largely

1/ See the next section entitled "Services activities in multilateral forums".

2/ Under this agreement, which was signed in April 1985, the parties "recognize the importance of trade in services and the need to maintain an open system of services exports which would minimize restrictions on the flow of services between the two nations." The FTA is the first trade agreement ever negotiated that explicitly covers services trade. As such, it could act as a prototype for a multilateral agreement in services. Under the FTA, both countries are committed to applying to services the two basic trade principles of national treatment and transparency of regulations in order to ensure market access for services with the other nation. Although services are covered by a nonbinding declaration in the FTA, both sides agreed to work toward international acceptance of these principles applied to trade in services and to review the effectiveness of the declaration with the view of transforming the provisions into legally binding rights and obligations. For a more detailed discussion of the U.S.-Israel Free Trade Agreement, see chap. I.

3/ The 13 developed countries or country groups that have submitted national examinations are the United States, Canada, Japan, the European Community, the United Kingdom, West Germany, Belgium, the Netherlands, Italy, Switzerland, Denmark, Sweden, and Norway.

descriptive in character and addressed the following points: (1) the growth of the international service economy, (2) the inadequacy of services trade data, (3) domestic activity and regulations in specific service sectors, and (4) the impediments to international trade in services. All of the studies recognized the rising importance of the services sector and the consequent need for all countries to reassess the role services should play in trade policy.

The results of certain national examinations were reviewed at the 1984 annual session of the GATT Contracting Parties to determine appropriate future action. The United States requested the establishment of a formal working party on services to examine the issues further, but a compromise work program was adopted that provides for formal meetings among GATT members to exchange information on trade in services. Based on a review of the 13 national studies by contracting parties during 1985, the Secretariat will prepare an analytical summary of the national studies together with relevant information from international organizations and a summary of the issues raised in the information exchange. This analytical summary will provide the basis for further discussions in an effort to establish common ground on which the parties might agree in moving toward a determination at the 1985 annual session on appropriate multilateral action.

In addition, work continued toward extending the GATT Government Procurement code to cover pure service contracts. Presently, the code only covers those services that must accompany goods purchases. 1/

Organization For Economic Cooperation and Development

In 1982, the OECD Ministerial Council launched a work program to "examine ways of removing unjustified impediments to international trade in services and to improve international cooperation in this area." 2/ The work program has taken a two-part approach. Committees with sectoral expertise are identifying and evaluating obstacles to trade in specific service industries. The Trade Committee and its working party, on the other hand, are establishing a general framework for considering service trade issues. At the 1984 Ministerial-level meeting in May, the Council recognized the importance of services trade issues and requested a report, including action proposals, within 2 years.

In late 1983 and in 1984, OECD published studies on the insurance, tourism, and banking industries. 3/ The survey of restrictions on international insurance operations concluded that the most serious obstacle to international insurance is limits on the right of establishment. The tourism study outlined two types of barriers that affect tourist flows: (1) restrictions that hamper the ability to travel from one country to another (such as visas, exchange restrictions, and special taxes), and (2) impediments

1/ For a discussion of the pilot studies on certain service industries undertaken for this work program, see chap. II.

2/ OECD, "OECD Council Meeting at Ministerial Level Communique," The OECD Observer, May 1982, p. 6.

3/ OECD, International Trade in Services: Insurance, 1983; OECD, Obstacles to International Tourism in the OECD Area, to be published, see "The Obstacles to International Trade in Services," The OECD Observer, January 1984, p. 15; OECD, International Trade in Services: Banking, 1984.

facing tourist organizations that offer tourist services for sale (such as restrictions on market access). Lastly, the report on the banking industry surveyed regulations and practices in member countries. The results of the survey indicated that while most OECD countries have opened up their markets to international competition, limits on right of establishment remain a serious obstacle in some nations. Prior to these three reports, a pilot study on construction, engineering, and consultancy services was undertaken but never published. Other subsector studies on maritime transport, telecommunications, computer services, and motion pictures are currently underway.

In conjunction with these industry studies, the Trade Committee has been developing a conceptual framework for liberalizing trade in services. The subsector studies identified specific trade problems that the Trade Committee has examined to determine the applicability of various trade principles to the services sector as a whole, such as national treatment and transparency of regulations. The draft framework of rules to govern services trade is expected to be released during the first half of 1985 which will provide guidance for future work in this area.

Furthermore, the OECD has two codes that address trade restrictions in services: (1) the Code on Liberalization of Capital Movements, and (2) the Code of Liberalization of Current Invisible Operations. Both of these instruments are under review to determine their success in addressing restrictions on services trade. In 1984, the Capital Movements code was amended to extend coverage to certain regulations relating to right of establishment, which is especially relevant to services. For example, a number of service industries, such as banking and insurance, can gain access to foreign markets only by establishing branches or subsidiaries abroad.

Updating of the Code of Liberalization of Current Invisible Operations began in 1979 in order to address liberalizing trends and technological changes in different subsectors. 1/ Extension of the code to new subsectors, such as telecommunications, has also been under consideration. The first stage of the updating is concentrating on service industries that have experienced little change in the nature of the services traded or the pattern of trade. Insurance, tourism, and maritime transport have been examined so far. Work has also begun in subsectors experiencing dramatic change: the film industry is being expanded to cover audiovisual services, and banking may be replaced by a new subsector covering all financial services. In December, the insurance sections of the code were updated. The most notable provision adopted increases the transparency of obstacles faced by insurance companies headquartered in one country and seeking to do business in another.

Finally, OECD has done the greatest preparatory work on data gathering and is examining data availability in member countries for the purpose of determining what cooperative action will be required in this area to provide

1/ In principle, all trade in services is covered by this code. The code's obligations apply to a list of invisible transactions that cover both transactions by specific service industries (such as insurance) and transactions of a generic nature (such as royalties). Although the code does not contain overall provisions for right of establishment or subnational treatment, these principles can be, and have been, incorporated with respect to a specific industry.

background for negotiations. At present, the principal source of internationally comparable data is the IMF's balance-of-payments statistics. Although this data can measure broad trends, it is difficult to interpret because of problems of measurement and concept. No internationally recognized standard classification exists for the services sector. Thus, empirical analyses are hard to interpret, and it is difficult to quantitatively assess restrictive behavior in various service industries.

United Nations Conference on Trade and Development

Service issues have long been part of UNCTAD's work program. Studies have been conducted in specific service industries (notably transport, insurance, and financing related to trade) and in service issues related to technology transfer and the control of restrictive business practices. Within the United Nations, many organizations deal with service sector concerns. While some bodies are responsible for a particular subsector (e.g., the International Civil Aviation Organization), others deal with issues applicable to services in general (e.g., the World Intellectual Property Organization).

UNCTAD's interest in services intensified in 1982 when the TDB decided that when "dealing with factors of relevance to the issues of protectionism and structural adjustment and policies influencing structural adjustment and trade, commensurate attention should be paid to services." ^{1/} A resolution adopted at UNCTAD VI directed the Secretariat to continue its studies of service issues and, in particular, to examine the role of services in the development process. The TDB was also invited to consider future work in services at its 29th session held in September 1984.

The Secretariat's study, entitled "Services and the Development Process," was prepared in 1984 in order to address the contribution of services to development and growth since the current international debate on services issues has focused largely on trade aspects. The report observes that new technologies, particularly data and information technologies, continue to result in new services and new interlinkages among services and goods that affect production, trade, and development patterns. Transnational corporations (TNC's) play a crucial role in this process since they are the principal suppliers of many services, either through direct exports or through investment abroad to supply foreign markets. One implication of the role of TNC's, which have access to the international data network, is their competitive edge over local companies. The developing countries are thus faced with a dilemma: location and accessibility of data resources will be regarded as strategically important to remain competitive, but to rely on services from abroad would place them in a position of dependence. The study suggests that developing countries should strive to understand the effects of technological change and determine how trade and foreign direct investment in specific services would contribute to the development process.

In addition, the report suggests a number of issues to incorporate into the trade-oriented search for a possible negotiating framework taking place in various international forums. Emphasis should be placed on the contribution

^{1/} United Nations Conference on Trade and Development, Trade and Development Board, "Report of the Trade and Development Board on its Twenty-Eighth Session," Geneva, May 23, 1984, p. 11.

of services to development, including the impact of various services on developing economies, the possibilities for increasing the developing countries' share of the world market for services, and the obstacles to services trade these nations may be facing. Discussions should also include the aspects of trade in services relating to technological developments and the role of TNCs, as well as the possibility of a multilateral-cooperation framework for building up the services sector in developing countries.

In addition to the Secretariat's study, four background papers were prepared for the September TDB session. These four studies examined technology, shipping, insurance, and transborder data flows in relation to trade in services and in the context of services and the development process. 1/ Despite the preparation of all these reports, the TDB meeting in September failed to reach a consensus on an UNCTAD program on services since developing countries were unwilling to recognize the role of other international institutions in services issues.

One other United Nations agency, the U.N. Center on Transnational Corporations (UNCTC), has been particularly involved in activities dealing with services. It is currently conducting studies examining the role and effects of TNC's in various industries, including services. In these industry reports, the effect of technological changes on international competition and trade, and on the role of TNC's in the industrialization process in developing countries, will be assessed. In addition, the UNCTC is examining trade in data services (i.e., transborder data flows) and its effect on the nature of international trade in goods and services and on foreign direct investment. Case studies are being prepared on the role of transborder data flows in individual countries. The principal project under way examines the role of TNC's in facilitating trade in data services. Lastly, the agency is finalizing a code of conduct for TNC's that will cover the activities of TNC's in all sectors and include provisions particularly relevant to the services sector.

An international code of conduct on the transfer of technology has been under formal negotiation since 1978. This code will establish standards for the buying and selling of technological information across national borders and will cover almost all technological service transactions. Negotiations on the code are expected to be completed not later than the first half of 1985.

Insurance services

Trade

The value of insurance services is partially covered in the U.S. international transactions accounts under "private miscellaneous services," which provides separate identification only for exports and imports of reinsurance. 2/ Net export premiums received for reinsurance increased to \$190 million in 1983 (\$188 million in 1982), whereas net import premiums paid

1/ Transborder data flows refers to the flow of data via computer-communication systems between countries.

2/ Reinsurance is insurance which one firm buys from another in order to write an amount of insurance on a single risk greater than its capital assets would permit.

accounted for \$696 million in 1983 (\$706 million in 1982), continuing a trade deficit for this type of insurance. 1/ For the entire U.S. insurance industry, the international market remains an important source of income and investment. The market grew about 6 percent during 1983-84 to an estimated \$8.5 billion in receivables from international operations in 1984, approximately 10 percent of total domestic revenues. 2/

Trade-related activities in 1984

In October 1984, the United States completed an agreement with the Association of Southeast Asian Nations that initiates cooperation and exchange between its six member nations on insurance issues. 3/ One of the first of these exchanges was a seminar held in April 1985 to develop guidelines to judge the financial solvency of various insurance companies for reinsurance purposes.

A variety of barriers to international trade continue to face the insurance industry. Most countries have stringent restrictions on financial operations that affect the transfer of currency, particularly where large multinational corporations are involved. Many third-world countries have additional restrictive regulations that preclude foreign service companies from competing on an equal basis as these governments are attempting to develop their four domestic insurance industries. The USTR, who has the responsibility to negotiate the reduction of barriers to trade in services, continues to pursue the reduction of these barriers through existing agreements, both on bilateral and multilateral bases. There were no bilateral or multilateral agreements reached on insurance in 1984.

The emerging internationalization of financial services has stimulated both foreign and American insurers to expand their overseas operations. In the past few years, insurance companies incorporated in nations other than Canada have steadily increased their ownership of U.S. firms. At the beginning of 1984, 22 U.S. insurance companies were owned by companies incorporated in France, Germany, Japan, the Netherlands, Switzerland, and the

1/ Export and import data supplied by U.S. Department of Commerce, Bureau of Economic Analysis, from the international transactions accounts, as of September 1984. Exports include premiums received, less losses paid; imports include premiums paid, less losses recovered. These transactions are not a measure of the profitability of international reinsurance transactions of U.S. companies, nor an indication of their international competitive position, because risks transferred to, and assumed from, foreign insurers are usually only a small part of the total risks insured by U.S. companies.

2/ Estimated by the staff of the U.S. International Trade Commission.

3/ See earlier discussion under "Services activities in multilateral forums". Further details concerning the insurance industry's international operating structure, barriers to trade in insurance, and international forums dealing with insurance issues are contained in Inv. no. 332-132, the U.S. International Trade Commission, The Relationship of Exports in Selected U.S. Service Industries to U.S. Merchandise Exports, USITC Publication 1290, September 1982, pp. 291-318; Operation of the Trade Agreements Program, 35th Report, 1983, pp. 169-172; and U.S. Trade Representative, U.S. National Study on Trade in Services, 1983, p. 220.

United Kingdom. 1/ Another important trend affecting international services trade in insurance is the increasing number of risks transferred by U.S. insurance companies to their foreign affiliates, particularly those located in the Caribbean area where the tax treatment and regulation of insurance companies is more favorable than in the United States. By transferring more profitable risks abroad and poorer risks to the United States, insurance companies took advantage of lower tax rates abroad. 2/

Perhaps the most important developing issue facing both foreign and domestic insurance companies is the impact of depository institutions, including commercial banks, entering the insurance market. In response, many large insurers--particularly life insurance companies--have entered the area of managing investment income, such as offering individual retirement accounts. Legislation introduced in the U.S. Senate in 1984 would have permitted depository institutions to sell insurance, which suggests that eventually domestic and foreign insurance companies may be competing in the U.S. and international insurance markets with other financial institutions offering essentially the same services. 3/

Maritime transportation services

Trade

The value of maritime transportation services is classified in U.S. international transactions accounts under "other transportation." In 1983, the trade surplus in maritime transportation services more than doubled from \$52 million in 1982 to \$123 million. 4/ Maritime transportation services as a proportion of total U.S. international transportation transactions in exports increased from 61 percent in 1982 to 63 percent in 1983; in imports, the share remained at 64 percent for both 1982 and 1983.

Total U.S. exports of maritime transportation services, consisting of ocean freight and port service receipts, rose 7 percent from \$7.6 billion in 1982 to \$8.1 billion in 1983, with ocean freight receipts accounting for the bulk of the increase. Total U.S. imports, consisting of ocean freight and port service payments, rose 5 percent from \$7.5 billion in 1982 to \$7.9 billion in 1983. Ocean freight payments account for about 75 percent of these imports; each type of service accounted for a 5 percent share of the increase.

1/ American Council of Life Insurance, 1984 Life Insurance Fact Book, 1984, pp. 89-90.

2/ Anthony J. DiLullo, "Service Transactions in the U.S. International Accounts, 1970-80," Survey of Current Business, November 1981, p. 40.

3/ U.S. Department of Commerce, 1985 U.S. Industrial Outlook, January 1985, p. 61-1.

4/ U.S. Department of Commerce, Bureau of Economic Analysis, September 1984.

Trade-related activities in 1984

In 1984, the most significant development affecting the U.S. maritime transportation services industry was the passage of the Shipping Act of 1984. ^{1/} This legislation amends and clarifies the Shipping Act of 1916 by reducing Government regulation of the industry and broadening antitrust immunity for cooperative actions by carriers. It overhauled the regulatory structure governing liner shipping into and out of the United States and helped pave the way for the realignment of the trans-Atlantic and trans-Pacific ocean carrier conferences. Nine trans-Atlantic groups have been consolidated into two units, one eastbound and the other westbound, and a new trans-Pacific rate group replaces several conferences that had previously covered shipments to the Far East. ^{2/}

A second important development was legislation ^{3/} permitting participation by foreign-flag vessels in certain domestic trade. The legislation eases restrictions for foreign-flag vessels carrying passengers between Puerto Rico and the United States mainland until a similar U.S. flag service is established. The law, signed on October 30, 1984, is intended to put U.S. ports in a better competitive position in the passenger cruise trade.

Since West Germany and the Netherlands accepted the UNCTAD Liner Code in 1983, no other developed maritime nation has formally acceded to it. ^{4/} Even though several important European nations and Japan may ratify it, the United States remains opposed to the code, since restrictive provisions encourage continuation of "closed" conferences that would effectively exclude U.S. participation. Members of the United Nations' "Group of 77" developing countries who espoused the code were also seeking to phase out open registries or "flags of convenience" in 1984. The elimination of open registries would adversely affect shipowners, particularly in the United States and other countries with high labor costs, who register their vessels abroad to benefit from lower wages and in some cases political and tax advantages. ^{5/} Approximately 90 percent of the raw materials shipped into the United States is carried in such bottoms.

The Consultative Shipping Group, an ad hoc group consisting of representatives of 13 industrial countries, including Japan, met frequently in 1984 to discuss participation of U.S. flag carriers in foreign cross-trading

^{1/} Public Law 98-237, enacted by Congress on March 20, 1984.

^{2/} Further details concerning the maritime industry's international operating structure, barriers to trade in maritime services, and international forums dealing with maritime issues are contained in Inv. no. 332-132, the U.S. International Trade Commission, The Relationship of Exports in Selected U.S. Service Industries to U.S. Merchandise Exports, USITC Publication 1290, September 1982, pp. 363-389; Operation of the Trade Agreements Program, 35th Report, 1983, pp. 178-181; and U.S. Trade Representative, U.S. National Study on Trade in Services, 1983, p. 204.

^{3/} Public Law 98-563, an act to permit the transportation of passengers between Puerto Rico and other United States ports on foreign-flag vessels when United States flag service for such transportation is not available.

^{4/} To date, 59 countries are signatories to the UNCTAD Code (Transportation Institute, Currents, January/February 1985).

^{5/} As of January 1, 1983, 68 percent of the total U.S.-owned fleet was registered abroad (Congressional Budget Office, U.S. Shipping and Shipbuilding, August 1984).

(foreign-to-foreign trade carried by ships from a nation other than the two trading nations), which is currently restricted under the cargo sharing provisions of the UNCTAD Liner Code. The subject of cross-trades has gained new significance to U.S. operators because it offers an opportunity to compete in international maritime trade, unlike the predominate nature of international "closed" conferences where virtually no opportunity exists for entry of other carriers.

Restrictive measures impeding foreign service operations of the U.S. maritime industry, such as market access, cargo preference schemes, minimum rate structures, restrictions on the use of certain equipment, and discriminatory port fees, continue to exist. However, section 13(b)5 of the Shipping Act of 1984 enables the Federal Maritime Commission (FMC) to take action against any foreign country that impedes U.S. access to ocean trade between foreign ports. 1/

Bilateral maritime agreements between the United States and Argentina, and Brazil remain in effect. In 1984, the FMC instituted an investigation concerning conditions in the United States-Argentina-Brazil liner trades. The FMC concluded that steps should be taken to counter anticompetitive conditions in the ocean common carrier trades between the United States and Argentina and Brazil. 2/ In addition, in 1984 a bilateral agreement with Romania concerning port access was renewed without any modifications.

An emerging trend in the shipping industry is "around-the-world" service in which a ship begins a routing at one port, circumnavigates the globe with limited scheduled stops to load and unload cargo, and returns to the original port. In 1984, Taiwan, followed by the United States, reintroduced the service which has made containerized shipping more efficient by utilizing economies of large ship operations to carry more containers and make fewer port stops, resulting in a substantial reduction in the shipping cost per container. The degree to which international shippers are able to successfully compete in this new service will largely depend on commitments to invest in larger ships required to provide this service.

Telecommunications services

Trade

The value of certain communications services is covered under "other private services" in the U.S. international transactions accounts and reflects the division of revenues between U.S. and foreign carriers. Imports are defined as payments by U.S. carriers to foreign carriers for the use of

1/ Such action may include (1) the suspension of any or all tariffs of the common carrier, or that common carrier's right to use any or all tariffs of conferences of which it is a member, and (2) steps necessary to undertake civil penalties in the event the common carrier accepts or handles cargo for carriage under a tariff which has been suspended or after its right to utilize that tariff has been suspended. Statutory language concerning the nature of actions that may be taken is described in section 13(a) and 13(b) 1, 2, and 3 of the Shipping Act of 1984.

2/ Federal Maritime Commission, Section 19 Inquiry: United States/Argentina and United States/Brazil Trades, Docket 84-33.

transmission services and exports are receipts from foreign carriers for transmission services provided by U.S. carriers. These estimates also include receipts and payments between foreign communications companies and the International Satellite Communication Organization (Intelsat). 1/ Exports of communications services rose 17 percent from the 1982 level to an estimated \$1.3 billion in 1983, whereas imports increased by only 8.3 percent to an estimated \$2 billion. Imports exceeded exports by \$700 million in 1983, largely because the majority of communications between the United States and foreign nations originates in the United States. 2/

Revenues from domestic communications services reached nearly \$87 billion in 1983, a 10-percent increase over 1982, and are estimated at \$96 billion for 1984. International revenues rose about 9 percent to \$2.5 billion in 1983 and are estimated at \$2.8 billion in 1984, accounting for nearly 3 percent of total revenues in these years. International telecommunications service revenues are expected to increase at an average annual rate of 15 percent in the next 3 to 5 years due to rapid increases in the volume of overseas telecommunications transmissions. Domestic revenues are likely to grow only 8 to 11 percent during the same period. 3/

Trade-related activities in 1984

The international communications industry is in a state of flux, largely as a result of U.S. policy and technological innovation which are changing the nature of the competitive environment. One of the most important and far-reaching events of 1984 was the determination by the President, upon the recommendation of the Departments of State and Commerce, that competition in international satellite communications was in the national interest, thus making global competition with Intelsat a possibility. 4/ In addition, deregulation in the U.S. telecommunications industry has led to a plethora of international carriers competing in a market that was formerly a monopoly. Further, technological innovation and economies of scale have made fiber optic undersea cables cost-effective competitors of satellite communications which may alter continued satellite dominance of transoceanic telecommunications. 5/

1/ Intelsat is a consortium of 109 countries whose goal is to develop a global communications system; it currently carries more than two-thirds of the world's international telephone traffic and virtually all of its international television transmissions. Comsat represents the United States in Intelsat.

2/ U.S. Department of Commerce, Bureau of Economic Analysis, September 1984.

3/ U.S. Department of Commerce, 1985 U.S. Industrial Outlook, January 1985.

4/ Further details concerning the telecommunication industry's international operating structure, barriers to trade in telecommunications, and international forums dealing with telecommunication issues are contained in Inv. No. 332-132, U.S. International Trade Commission, Relationship of Exports in Selected U.S. Service Industries to U.S. Merchandise Exports, USITC Publication 1290, September 1982, pp. 9-18; Operation of the Trade Agreements Program, 35th Report, 1983, pp. 146-149; and U.S. Trade Representative, U.S. National Study on Trade in Services, 1983, p. 183.

5/ By the end of 1984, five such cables were in the planning stages, one for the Pacific and four for the Atlantic. The only one that has FCC approval at this time is TAT-8, a transatlantic cable that will be operational in 1988 and is co-owned by AT&T and seven other U.S. carriers, Teleglobe Canada, and the members of the European Conference of Postal and Telecommunications Administrations.

Responding to the prospect of competition, Intelsat passed a resolution in April 1984 urging all of its members to refrain from entering into any arrangements that might lead to the establishment and use of independent satellite systems to carry traffic to and from their respective countries. Intelsat officials stated that these private systems would undermine its ability to provide services to its members, especially to third-world countries. 1/

Intelsat officials also believe that the American initiative to allow competitive systems may prompt other countries to do the same. Several groups of nations have set up regional satellite organizations, such as Arabsat in the Middle East, Eurtelsat in Western Europe, and an Indonesian system in the Western Pacific. According to State Department officials, these satellite systems are not competitors; they complement the Intelsat system and fill a need that Intelsat could not economically satisfy. 2/ To avoid violating the Intelsat agreement, which precludes actions by its signatories that would cause it substantial economic harm, the U.S. Government does not intend to allow private satellite systems to carry voice communications that link into the public networks overseas or in the United States. Government officials feel this restriction would eliminate these companies as competitors for the bulk of Intelsat traffic.

Deregulation of the U.S. telecommunications industry, which permitted a profusion of special common carriers, has extended into the international market and suggests that the aggressive competition characteristic of the domestic telecommunications market is about to spread overseas. For example, a relatively new U.S. entrant (MCI) has led the way in the international voice market, initiating service to more than 10 foreign countries in 1984 and concluding agreements with countries representing 40 percent of this market. Other carriers are following in similar fashion. Recent FCC decisions gave Comsat permission to retail international circuits and provide end-to-end international services, and a U.S. carrier was given permission to deal directly with Intelsat. These two U.S. firms intend to build a series of earth stations to access Intelsat and deliver international telecommunications services; more than 10 other companies have applied to the FCC for similar permission.

These rapidly evolving structural and technological developments have tended to generate additional barriers to foreign trade in telecommunications services. Certain barriers have always existed because most governments closely regulate this industry; however, new technologies, new user demands, and new participants in the industry threaten the control governments exercise over telecommunications services. Some countries have responded to these changing circumstances by limiting foreign ownership or services, by requiring

1/ Since Intelsat's rate structure is based on an allocation of costs among members according to the volume of usage, private companies offering lower prices could attract traffic on high-volume transatlantic routes, thus increasing the costs of Intelsat's services to the poorer, low-traffic nations.

2/ Testimony of Ambassador Diana Lady Dougan and Dr. William Schneider before the Economic Policy and Trade Committee on Foreign Affairs, U.S. House of Representatives, Feb. 19, 1985.

local participation, or by imposing taxes on transborder communications flows. International telecommunications services are also subject to many of the same types of trade barriers experienced by other industries--restrictions on foreign exchange remittance, restrictions on foreign ownership, local work and content requirements, copyright infringement on software, and proprietary data transmission. However, in most nations, the telecommunications industry is a State-owned and -operated monopoly that plays such an important role in the country that governments have taken steps to protect these industries. In West Germany, for example, the Post, Telegraph, and Telephone Authority felt that multinational corporations using private leased lines were bypassing its network and substantially lowering revenues. To curtail this action and increase revenues, foreign telecommunications users are now required to use certain domestic leased lines that are more expensive. 1/ It is believed that this requirement may spread to other countries. 2/ Another means of controlling transborder data flows is requiring that data be processed before it leaves the country, rather than sending raw data to a multinational processing center and then back again after it is processed. These trade barriers raise the cost of doing business in foreign countries for users of international telecommunications services as well as for providers of these services and make it more difficult to compete with the host country's industry.

Other barriers to international telecommunications services could seriously slow or stop transborder data flows. Twenty-six countries have passed or are proposing legislation that would require government approval for transmitting machine-readable data from one country to another and prohibit the transfer of some data on individuals. These restrictions would make it more difficult for foreign firms to do business in these countries, and the highly regulated nature of the telecommunications industry is likely to encourage an increasing number of barriers to trade, both in the developed and developing countries.

The telecommunications industry is subject to regulation through bilateral and multilateral agreements. Efforts by the U.S. administration are currently under way on a bilateral basis to encourage more open access in key telecommunication markets, such as Japan, along with multilateral discussions within the context of service industry initiatives within GATT. In addition, the Consultative Committee on International Telephone and Telegraph--the services and equipment standard setting arm of the International Telecommunications Union--held a Plenary Assembly in 1984 during which 266 new recommendations were approved and 373 others were amended. These new standards permitted the use of new equipment and services, mainly computerized digital services; they also clarified integrated services digital network (ISDN) and interface standards required for video, voice, and data transmissions.

1/ Testimony of Ms. Joan Edelman Spero of American Express Company before the Subcommittee on Economic Stabilization, House Banking Committee, June 14, 1984.

2/ Communications Week, Nov. 5, 1984, p. 28.

CHAPTER IV

DEVELOPMENTS IN MAJOR U.S. TRADING PARTNERS

INTRODUCTION

This chapter reviews the economic performance of major U.S. trading partners, U.S. trade with those countries, and important bilateral trade issues in 1984. United States relations with Canada, the European Community, Japan, Mexico, Taiwan, South Korea, and Brazil are discussed.

In 1984, the United States experienced an overall trade deficit of \$110.9 billion, of which \$92.3 billion (83 percent) was with the countries under review. The strength of the U.S. dollar was largely responsible for the influx of imports and the weak demand for exports. U.S. exports to each of its major trading partners increased in 1984, but not enough to keep pace with the rapid influx of imports. The largest trade deficit in 1984 was with Japan (\$33.9 billion or 31 percent of the total U.S. trade deficit), followed by Canada (\$21.8 billion or 20 percent), and the EC (\$12.1 billion or 11 percent). The U.S. trade deficit with the newly industrialized countries covered in this report totaled \$24.5 billion or 22 percent of the total U.S. trade deficit.

Two-way trade between the United States and each of its major trading partners increased in value in 1984. Two-way trade of \$110.9 billion between the United States and Canada in 1984 (up 25 percent from \$88.5 billion in 1983) again constituted the largest single trading partnership in the world. The second largest two-way trade partnership was that between the United States and the European Community, which registered \$101.7 billion (up 18 percent from \$86.2 billion in 1983). The third largest trade partnership was between the United States and Japan at \$79.3 billion (up 28 percent from \$62.1 billion in 1983).

The number and intensity of unresolved United States-Canadian trade issues were dwarfed by the growing volume of bilateral trade. Their relatively tranquil trading partnership was exemplified by the continued exploration of a bilateral sectoral free trade agreement. Although enthusiasm for the sectoral approach to the free trade initiative had waned by yearend, serious interest on both sides continues on further liberalization of bilateral trade.

Given the volume of U.S.-EC trade, the number of specific bilateral trade disputes in 1984 was small, although the relationship is hampered by serious differences over approaches to international trade. The tone of trade relations worsened in 1984, as both sides grappled with protectionist pressures at home. In addition, their domestic economic predicaments made consensus on the content and timing of a new round of multilateral trade negotiations impossible to reach in 1984. While differences over trade in steel and agriculture dominated the 1984 trade agenda, long-standing disputes over export subsidies, credits, and controls, and exchange rate fluctuations, are expected to lead the trade agenda in the year ahead.

Although no major ruptures took place, 1984 was a difficult year for United States--Japanese trade relations. Damage control was the watchword, as a year of intense trade talks resulted in only a few market-opening measures: the yen-dollar agreement, Japan's decision to liberalize farm imports, and revision of the bilateral accord on Nippon Telegraph and Telephone procurement. The two sides grappled with Japan's proposed restrictions on foreign sales of satellites and on draft laws that would change the terms of competition in Japan's market for computer software and telecommunications equipment and services.

U.S. trade relations with the NIC's were affected by the latter's drive to expand exports while simultaneously protecting domestic markets. Certainly, the U.S. trade deficit with these countries was a matter of concern to the United States during the year. Limited progress was made by the NIC's in opening up their markets. Taiwan, South Korea, and Mexico were concerned about retaining their GSP benefits, even though no country was excluded completely. The NIC's were concerned that the renewed GSP program would be conditioned upon trade concessions to the United States, particularly their record on combating product counterfeiting and on reducing barriers to U.S. imports.

Little progress was made in 1984 to resolve outstanding bilateral trade issues between the United States and Mexico. While Taiwan made some progress in reducing trade barriers in 1984, significant barriers to trade exist and this remained a sore point between the two sides. South Korea made some progress in 1984 in reducing tariff barriers, but the United States remained concerned that tariffs were being replaced by nontariff restraints. South Korea protested that the increasing number of import relief cases before the U.S. International Trade Commission in 1984 was a form of protectionist sentiment and harrassment in the United States.

CANADA

The Economic Situation in 1984

Canada shares with the United States a belief in the efficacy of the market process and a commitment to the free-enterprise system. Canada's economy is small relative to that of the United States (one-tenth the size of the U. S. economy), and it is closely tied to the United States by a network of powerful economic and financial relationships.

The desire to maintain a strong national identity and economic independence are among the most important factors contributing to the formation of policy in Canada. For example, this desire is manifested in the concern over foreign ownership of enterprises located in Canada. Maintaining the national identity and economic unity between east and west Canada is continually in tension with the north-south pull for cultural homogenization between Canada and the United States.

In 1984, Canada's real GNP (seasonally adjusted at annual rates) rose by 0.7 percent in both the first and second quarters and more than doubled in

the third quarter, climbing at a rate of 1.9 percent. 1/ The latter reflected both a sharp buildup of manufacturing inventories and a strong performance by Canadian exports. For the year as a whole, real GNP increased 4.5 percent. This followed a healthy 8.7 percent annual increase in Canadian industrial production.

The unemployment rate remained in the 11-percent range during 1984, falling slightly from the 1983 average, perhaps reflecting the uncertainty surrounding the strength of Canada's recovery. The unemployment rate for 1984 was 11.3 percent. 2/

Progress in inflation was maintained in 1984, as quarterly levels were 5.7, 2.7, 3.1, and 3.3 percent. These levels were generally below those recorded for consumer prices in the United States. In 1984, consumer prices increased 4.3 percent in Canada.

The Canadian dollar, however, declined relative to its U.S. counterpart in 1984. The exchange rate declined 5.1 percent for the year, and the Canadian dollar closed the year equal to .7568 U.S. cents.

After narrowing during 1983, the interest rate differential between United States and Canadian money-market rates increased in 1984, 3/ as shown in the following tabulation in percent:

	Annual			1983				1984			
	1982	1983	1984	1st qtr	2d qtr	3d qtr	4th qtr	1st qtr	2d qtr	3d qtr	4th qtr
United States	12.5	9.2	10.6	8.5	8.8	9.6	9.4	9.7	10.9	11.5	9.4
Canada	14.5	9.5	11.3	9.8	9.4	9.4	9.5	10.0	11.4	12.5	11.2

The size of the Federal deficit in Canada has become a matter of increasing concern in the last two years. The following tabulation 4/ illustrating the Canadian and United States deficits as a share of GNP, points out that the Canadian deficit is relatively greater than that of the United States.

Period	Deficit as a percent of GNP	
	Canada	United States
1975-76	2.9	5.2
1977-78	4.0	2.7
1979-80	4.0	2.8
1981-83	6.5	6.3
1983-84 (estimate)	6.7	5.4

1/ Country statistics in this chapter are generally drawn from International Economic Review, a monthly staff publication of the Office of Economics, U.S. International Trade Commission.

2/ The monthly rate fell below 11 percent for the first time in December 1984, when Canadian unemployment was registered at 10.8 percent of the labor force.

3/ Federal Reserve Board.

4/ Data from Canadian 1983 Federal Budget and U.S. Office of Management and Budget.

Merchandise Trade With the United States

The bilateral trading relationship between the United States and Canada is marked by the largest volume of trade between any two countries in the world. Although most Americans think of Japan or the European Community in the context of U.S. trade partners, trade with Canada is 40 percent larger than that with any other country. The \$111 billion in two-way trade is greater than the trade between the United States and the EC. The United States-Canada relationship contrasts sharply with the U.S.-EC relationship. Although U.S.-EC relations were marked by a number of trade conflicts in 1983 and 1984, United States-Canadian trade relations, given the volume of commerce involved, were decidedly upbeat and free of serious disputes.

In 1983, the United States recorded a \$15.4 billion merchandise trade deficit with Canada (table 9). This was a record high, surpassing the previous high of nearly \$14 billion in 1982--an amount substantially greater than the traditional U.S. deficit in bilateral trade with Canada. The bilateral deficit was \$5.6 billion in 1979 and has grown each year since. The 1983 deficit of \$15.4 billion accounted for over one-fourth of the total U.S. merchandise trade deficit. The bilateral deficit increased even further in 1984, amounting to \$21.8 billion, but accounted for only 20 percent of the overall merchandise trade deficit.

The value of U.S. exports to Canada increased 21.8 percent in 1984 to \$44.5 billion, after increasing by 12.7 percent in the previous year. Table 9 breaks down U.S. trade with Canada into broad industrial categories. The table illustrates that U.S. exports to Canada in 1984 rose in 9 of 10 SITC sections. The one section to register a decline was beverages and tobacco. The level of trade recorded in 1984 shows that one trading partner--Canada--accounts for over one-fifth of U.S. global sales.

U.S. imports from Canada were valued at \$66.3 billion in 1984, representing a 27.6 percent increase over that of 1983. This was the highest amount recorded for any trading partner in 1984 and the highest level ever recorded with Canada. The increase in 1984 was double that recorded for the year before. The strong U.S. economy contributed to the increase in U.S. imports from Canada in 1984. Imports of machinery and transport equipment (primarily motor vehicles and parts) were up nearly 40 percent and accounted for over half of the import surge. Imports increased in every broad commodity line during 1984.

Machinery and transportation equipment, section 7, is the major area of bilateral trade between the United States and Canada. Trade in this sector accounted for 57.6 percent of overall shipments to Canada and 42.2 percent of goods received from Canada in 1984. ^{1/} Trade in motor vehicles accounted for most of the bilateral trade in section 7. This trade is largely governed by a 1965 bilateral agreement that provides for duty-free treatment of imports of specified automotive products.

The major items of bilateral trade are highlighted in tables B-1 and B-2. The top 20 export items shown account for 52.1 percent of all U.S. goods shipped to Canada in 1984, and the leading import items cover 62.9 percent of the total. The leading items exported to Canada from the United States were generally unchanged from 1983. However, the decline in exports of piston-type

^{1/} Increases over the 1983 shares of 56.5 percent for U.S. exports to Canada and 38.7 percent of U.S. imports from Canada.

engines, together with the 84-percent increase in trucks in the 1984 period altered the hierarchy slightly. Exports of all the items but piston-type engines increased from 1983 to 1984. Other significant U.S. exports included gold or silver bullion, parts of office machinery, digital central-processing units, trucks, and parts of engines.

The five leading items imported from Canada in 1984 accounted for 37.7 percent of total U.S. imports from Canada and are the same items which led the list of imports from Canada in 1983. Imports of all five, except natural gas, ethane, and so forth, increased between 1983 and 1984. The high degree of integration between the U. S. and Canadian automobile industries is indicated by the fact that passenger automobiles and parts are among the leading items of both bilateral import and export trade.

In Canada, foreign trade has been acting as the engine for the recovery of the Canadian economy. At a time when the Canadian dollar is worth approximately 75 U.S. cents, the Canadians have been able to take advantage of larger markets in an expanding U.S. economy. As Canadian sales to the United States have grown, sales to West Germany, France, and Great Britain have contracted. Canada's 1983 surplus with the United States was largely counterbalanced by a deterioration in trade with other countries.

Major Policy Developments Affecting Trade

Operation of the United States-Canadian Automotive Products Trade Agreement

The Automotive Products Trade Act (APTA) of 1965 implemented a bilateral agreement between the United States and Canada that removed duties on trade in new motor vehicles and original-equipment parts between the two countries. In effect, the agreement created the basis for an integrated automobile industry in North America. 1/

1/ According to art. I, the agreement has three objectives: "the creation of a broader market for automotive products within which the full benefits of specialization and large-scale production can be achieved; the liberalization of United States and Canadian automotive trade in respect of tariff barriers and other factors tending to impede it, with a view to enabling the industries of both countries to participate on a fair and equitable basis in the expanding total market of the two countries; and the development of conditions in which market forces may operate effectively to attain the most economic pattern of investment production and trade."

Because the United States did not extend this customs treatment to automotive products of other countries with which it has trade-agreement obligations, it obtained a waiver of its MFN obligations under GATT insofar as they pertain to automotive products. Canada, on the other hand, did not consider it necessary to obtain a GATT waiver because, at the time the agreement went into effect, it accorded duty-free treatment to specified automotive products on an MFN basis to all manufacturers with production facilities in Canada. There is, therefore, a difference in the application of the agreement in the two countries. In the United States, anyone may import a finished vehicle covered by the agreement duty free. In Canada, however, the duty-free import privilege is limited to vehicle manufacturers. Individuals importing motor vehicles or parts thereof from the United States must pay the Canadian duty (currently 12.1 percent ad valorem on automobiles and various rates on automotive parts).

Previous research has identified several problems in accounting for all the trade in automotive products between the United States and Canada. U.S. export statistics, for example, sometimes fail to capture as automotive items those products having a variety of end uses (e.g., engine parts, nuts, bolts, fabric for seat covers, and so forth). Consequently, a joint United States-Canadian committee studying overall trade statistics agreed that each country should use its own import statistics to report its imports, and use the other's import statistics to report its exports. ^{1/} The result is the "import/import" method of reporting automotive trade used in table 10.

Table 10.--United States-Canadian automotive trade, 1964-84

(In millions of U.S. dollars)

Year	U.S. imports	Canadian imports ^{1/}	Canadian imports less U.S. imports
1964-----	76	640	563
1965-----	231	889	658
1966-----	819	1,375	556
1967-----	1,406	1,889	483
1968-----	2,274	2,634	360
1969-----	3,061	3,144	83
1970-----	3,132	2,935	-196
1971-----	4,000	3,803	-197
1972-----	4,595	4,496	-99
1973-----	5,301	5,726	426
1974-----	5,544	6,777	1,233
1975-----	5,801	7,643	1,842
1976-----	7,989	9,005	1,016
1977-----	9,267	10,290	1,023
1978-----	10,493	10,964	471
1979-----	9,715	12,274	2,559
1980-----	8,780	10,552	1,773
1981-----	10,618	12,055	1,437
1982-----	13,292	10,971	-2,321
1983-----	16,940	14,779	-2,161
1984-----	23,047	18,996	-4,051

^{1/} Data from Canada adjusted to U.S. dollars.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Note.--Data exclude trade in materials for use in the manufacture of automotive parts and are adjusted to reflect transaction values for vehicles.

^{1/} The committee's study, entitled The Reconciliation of U.S.-Canada Trade Statistics 1970, a Report by the U.S.-Canada Trade Statistics Committee, was published jointly by the U.S. Department of Commerce, the U.S. Bureau of the Census, and Statistics Canada.

Since the inception of the agreement, the value of two-way trade in automotive products between the United States and Canada has increased nearly 58.7 times in nominal dollars and approximately 12 times after adjustment for inflation. In 1984, U.S. shipments of automotive products to Canada increased 29 percent to \$19.0 billion (table 11). Assembled vehicles accounted for 33 percent of shipments in 1984, a share unchanged from 1983. Dutiable imports into Canada of automotive products were valued at \$961 million in 1984, representing 5 percent of total U.S. automotive product exports to Canada (table 11).

Canadian shipments of automotive products to the United States increased 36 percent in 1984 to \$23.0 billion. Assembled vehicles accounted for 64 percent of the annual shipments. Dutiable imports of automotive products were valued at \$1,350.2 million, or nearly 6 percent of total automotive product shipments from Canada. The major categories of dutiable items for both Canada and the United States are replacement parts for motor vehicles (only original-equipment parts are accorded duty-free treatment under the agreement), tires, and tubes.

In 1982, for the first time in 10 years, the United States had a deficit in automotive trade with Canada. This deficit recurred in 1983, as Canadian automobile manufacturers were able to take advantage of the increased demand in the United States for larger cars. ^{1/} This continued in 1984 as shipments from Canada continued to outstrip U.S. sales to its APTA partner. The deficit soared from \$2.2 billion in 1983 to \$4.1 billion in 1984, an increase of 87 percent. Until 1982, the United States normally had enjoyed an overall automotive trade surplus with Canada--the surplus in the skill-intensive, high-technology parts sector being lessened by the deficit in trade in assembled vehicles. Although Canada's auto parts deficit has increased in the last 3 years, its surplus in trade in vehicles has been more than enough to override this, resulting in an overall automotive trade surplus.

New foreign investment policy in Canada

During the Trudeau era, Canada's Foreign Investment Review Agency (FIRA) came to symbolize the country's concern with maintaining a distinct national identity in the face of significant foreign investment from the United States. The process by which FIRA reviewed proposed investments into Canada had come to be viewed as increasingly burdensome and even to constitute an unreasonable impediment to foreign direct investment. In a recent survey of potential investors, the Conference Board of Canada found that Government regulations and foreign investment controls had a deterring effect on foreign investors. ^{2/}

^{1/} Larger cars account for a disproportionately high share of Canadian automotive production. The production of larger cars has been encouraged by the commitments of Canadian motor-vehicle manufacturers to increase Canadian value added. Although Canada accounted for 12.9 percent of overall North American assembly capacity in the 1982 model year, its assembly capacity for larger cars was 22.8 percent of the total, and only 5.7 percent of North American capacity for small cars. Thus, when gasoline prices began falling in 1982 and U.S. consumer demand shifted toward larger cars, U.S. manufacturers had to rely heavily on their Canadian assembly operations.

^{2/} The Conference Board of Canada, A Fit Place for Investment?, Study No. 81, Ottawa, 1984.

Table 11.--U.S.-Canadian automotive trade, by specified products,
1983 and 1984

(In millions of U.S. dollars)

Item	1983	1984
U.S. imports from Canada: <u>1/</u>		
Duty free: <u>2/</u>		
Passenger cars-----	7,255.3	10,087.1
Trucks, buses, and chassis-----	3,575.6	4,511.8
Parts and accessories-----	5,181.4	7,098.2
Total-----	16,012.3	21,697.1
Dutiable:		
Passenger cars-----	22.6	22.5
Trucks, buses, and chassis-----	23.4	30.9
Parts and accessories-----	542.5	836.3
Tires and tubes-----	339.7	N.A.
Total-----	928.2	1,350.2
Total:		
Passenger cars-----	7,277.9	10,109.6
Trucks, buses, and chassis-----	3,599.0	4,542.7
Parts and accessories-----	5,723.9	7,934.5
Tires and tubes-----	339.7	460.5
Total-----	16,940.4	23,047.3
Canadian imports from the United States: <u>3/</u>		
Duty free: <u>2/</u>		
Passenger cars-----	3,856.5	4,633.1
Trucks, buses, and chassis-----	859.4	1,485.5
Parts and accessories-----	9,322.2	11,911.4
Tires and tubes-----	N/A	4.7
Total-----	14,038.1	18,034.7
Dutiable:		
Passenger cars-----	91.2	64.8
Trucks, buses, and chassis-----	48.1	88.5
Parts and accessories-----	412.3	546.1
Tires and tubes-----	189.5	261.6
Total-----	741.1	961.0
Total:		
Passenger cars-----	3,947.7	4,697.9
Trucks, buses, and chassis-----	907.5	1,574.0
Parts and accessories-----	9,734.5	12,457.5
Tires and tubes-----	189.5	266.4
Total-----	14,779.2	18,995.7
U.S. trade balance-----	-2,161.3	-4,051.7

1/ U.S. import data.2/ Duty free under the United States-Canadian Automotive Products Trade Agreement.3/ Canadian import data converted to U.S. dollars as follows: 1983, Can\$1.00=US\$0.80199; 1984, Can\$1.00=U.S.\$0.77202.

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

Note.--U.S. imports are f.a.s. or transaction values, as published by the U.S. Bureau of the Census. Canadian imports are valued on a similar basis.

The fact that Canada has come to be viewed as less inviting to foreign investors has been recognized by the leadership of the new Government. After campaigning to make investors more welcome in Canada, the new Government went on record as wanting to distinguish its position on foreign investment from that of the previous Government. Joint ventures and industrial partnerships with foreign companies and entrepreneurs were to be encouraged.

In December 1984, legislation was introduced into Parliament to change the name of FIRA to Investment Canada. The new name is intended to underscore the agency's revised mandate to encourage investment. Its role is intended to be positive rather than restrictive in order to emphasize the Government's efforts to foster investment. The agency will continue to review major investment proposals of national economic significance. It will also assume the more positive role of facilitating "job-creating investment" and assisting in identifying new ideas, new technologies, and new export opportunities for investment in Canada. Priority sectors where increased capital investment is expressly desired are energy, rail transportation, applied technology, and basic infrastructure.

The Investment Canada Act exempts all new investments from Canadian Government review. It also raises the threshold value for exemption from reviews of takeovers of Canadian companies from \$3 million to \$5 million. The legislation should result in faster, simpler decisionmaking, with the total number of investments subject to review being reduced by 90 percent. The basic criterion for determining whether proposed investments are of "significant" benefit to Canada has been eased. The new legislation requires only that a proposed investment be of "net" benefit to Canada.

The new act represents a broad change in Canada's rules governing foreign investment. Following the GATT case against FIRA, ^{1/} the previous Government had been interpreting the legislation increasingly liberally. This is borne out in table 12, which shows that the approval rate for both new businesses and acquisitions in Canada increased in fiscal 1984. It is uncertain how the recent legislative changes will influence the inflow of new capital into Canada.

Development of the sectoral free trade initiative

In the 1970's, Canadian Prime Minister Trudeau pursued a trade and investment policy that hindered foreign investment in Canada and foreign ownership of Canadian industries. The hallmarks of this policy were the Foreign Investment Review Agency, the "Third Option," ^{2/} and the New Energy Policy (NEP). FIRA closely scrutinized prospective foreign investments, determined whether or not they were of significant benefit to Canada, and established performance requirements for foreign firms; the "Third Option" policy was a major reorientation of Canada's posture towards her trading partners: the Canadian Government attempted to de-emphasize its "special" trade relationship with the United States and emphasize trading ties with Japan, Europe, and the Pacific Rim countries. Then, in October 1980, the

^{1/} See Operation of the Trade Agreements, 35th Report, 1983 p. 231-2.

^{2/} The "First Option" was to have closer bilateral ties with the United States, while the "Second Option" was to maintain the existing terms of trade with the United States.

Table 12.--Summary of actions taken by the Canadian Foreign Investment Review Agency on applications from the United States and Western Europe for investment in Canada, fiscal years 1983-84

(In percent)					
Type of application	United States		Western Europe		
	1983	1984	1983	1984	
Acquisitions in Canada:					
Share of applications-----	63.7	67.9	28.1	25.8	
Approval rate-----	91.6	91.3	88.0	93.8	
Share of value of assets-----	47.7	62.2	34.0	30.4	
Investment in new business in					
Canada:					
Share of applications-----	57.0	55.5	31.5	30.1	
Approval rate-----	78.4	82.4	84.6	94.0	
Share of value of assets-----	7.6	17.8	18.8	76.0	

Source: Foreign Investment Review Agency, Tenth Annual Report, Foreign Investment Review Act, 1983-84, Ottawa, Oct 1984.

Canadian Government created the NEP: its top priorities were to increase Canadian ownership of the oil and gas industry to 50 percent and to achieve energy self-sufficiency by eliminating oil imports, both by 1990. Consequently, these official policies were coupled with a swelling sense of Canadian nationality and self-determination and resulted in an overall decrease in the percentage of foreign owned firms. 1/ In the trading arena, the Canadians did increase the total value of exports to the EC and Japan, but they failed to significantly increase their export share to these two areas. 2/

Shift in Canadian attitude

Towards the end of the seventies and through the early part of the 1980s, Canadian sensitivity to foreign investment began to change because of a general economic downturn and increased levels of unemployment. This gradual shift became more distinct during the recessionary period in Canada that started in mid-1981 and persisted until the early part of 1983. 3/ Then, in the latter part of 1983, the Canadian economy improved its performance record and proceeded on its road to recovery. Two main driving forces were recognized as stimulating the recovery: the increased volume of merchandise exports and the growth in residential construction. Export growth and the employment opportunities provided by it are directly attributable to the strong U.S. recovery during the same year.

1/ From 1971 to 1981, the percentage of foreign-owned, non-finance-based industries decreased from 37 percent to 26 percent.

2/ The total value of Canadian exports to the EC remained at 12.5 percent of Canada's total value of world exports from 1973 to 1980. The percentage traded with Japan during this timeframe dropped from 7.14 percent to 5.9 percent. (IMF, Yearbook of International Trade Statistics (Vol.I), 1980; p. 196, table 3).

3/ Operation of The Trade Agreements Program, 33d Report, 1981, p. 120; Operation of the Trade Agreements Program, 35th Report, 1983, p. 218.

Canada capitalized on the U.S. recovery by increasing exports to the United States, fueling the expanding American economy. As a result, the importance of export markets to the long-term economic growth and well-being of the Canadian economy was underscored. In addition to identifying and stressing export markets as both pillars and catalysts to their economy, the Government perceived that any U.S. protectionist sentiment could start to discriminate against Canadian exports. In such a scenario, the Canadians could find themselves without stable and predictable world and U.S. export markets and, in turn, diminishing returns from their export sector. Therefore, it was determined that Canada must maintain unobstructed access to its main trading and export market in order to continue to secure and to expand its own economy.

Origin of the initiative

In August of 1983, the Canadian Government released an official discussion paper entitled Canadian Trade Policy for the 1980's, an analysis of Canada's overall trading performance, philosophy, and status in multilateral and bilateral trade issues. The paper confirmed the reversal in Canada's trading posture and attitude. The emphasis on the "Third Option" was abandoned; the traditional United States-Canadian "special" relationship was to be further strengthened and developed. Additionally, the report strongly supported and urged continued multilateral negotiations, while simultaneously proposing more bilateral discussions with the United States as another option for enhancing trade relations.

More specifically, the document presented the idea of a sectoral free-trade agreement with the United States. It stressed that this type of agreement was not a new proposal and cited the 1965 automotive products agreement (APTA) in the North American (i.e. bilateral) context and the GATT aircraft agreement on the multilateral level. A sectoral free trade agreement would identify certain Canadian and American areas that could benefit from the elimination of all tariff barriers in the flow of goods and services between the two countries. The supporters of this arrangement argued that it would facilitate the growth of certain industries on both sides, create jobs, benefit both consumer populations and manufacturing sectors, and, lastly, aid in intrasectoral adjustments (internal rationalization).

United States-Canadian Bilateral Trade Issues

U.S. reaction to the sectoral free trade initiative

The U.S. reaction to this unexpected Canadian overture for freer trade was positive. In September 1983, both U.S. Trade Representative William Brock and U.S. Ambassador to Canada Paul Robinson recognized this move by the Canadians as a possible step to further expand and liberalize international trade between both countries. Although Brock and Robinson applauded this movement, they wanted to see specific proposals before negotiations on any type of sectoral free-trade accommodation were begun.

Rationale for initiative

Even though the multilateral trade negotiations of the Tokyo Round will make 65 percent of U.S. exports to Canada and 80 percent of Canadian exports to the United States tariff free by 1987, the Canadian tariff structure will still protect manufactured and processed products more than primary commodities and extractives. The sectoral free trade initiative is an additional alternative to further improve the trading positions of both Canadian and American businesses and industries. Through this type of piecemeal approach to free trade, it is argued that both countries could make economic and financial gains. For instance, the Canadian economy is only one-tenth the size of the U.S. economy, and its consumers are scattered throughout the country. Therefore, any additional access to the U.S. market is advantageous because the increase in potential consumers will create economies of scale, a greater degree of industrial specialization and many more intrasectoral adjustments. While it is true that these effects will be felt on both sides of the border, it is argued that Canadian firms that are competitive enough will benefit more from such an accommodation than already well-established U.S. industries and businesses.

On the other hand, U.S. industries and businesses could gain further and more profitable access to raw materials, especially oil and gas, and benefit from a more robust Canadian economy that translates into an expanded market for U.S. exports; also, American multinational corporations with subsidiaries in Canada would be able to assign production to plants in either Canada or the United States on the basis of efficiency. Furthermore, an agreement for sectoral free trade would not only eliminate all tariff barriers in selected areas, it could also lead to further negotiation on nontariff barriers. Also, the resulting duty-free areas would create broader and more predictable markets, and a positive investment atmosphere would evolve from this development. Sectoral free trade may also identify ways and means to promote reciprocal trade expansion.

In addition to the aforementioned economic and trade consequences, some political advantages are possible in pursuing a sectoral free trade dialogue instead than discussing an entire free trade area. Bilateral negotiations could create a positive tone in United States-Canadian affairs and stem the tide of growing international protectionism. In turn, a new round of multilateral trade negotiations could be sparked by or evolve from this initiative. Also, the sectoral negotiation route is not an irreversible process, and it lends itself to a gradual "learning-by-doing" technique. These two aspects are important because a rekindling of Canadian or American nationalism in the form of Buy Canadian or Buy American provisions could be avoided. Thus the practical political considerations are integral, if not essential, parts to the success of any sectoral free-trade agreement. Without the political will and bureaucratic skill on both sides, the actualization of the initiative will be impossible.

Chronology of United States-Canadian actions and meetings

The Canadian Government specifically mentioned the clothing and textile industry as a sectoral candidate for duty-free trade with the United States in their discussion paper of August 1983. On February 16, 1984, the Canadian Textile and Clothing Board, a Government agency, reported in an "interim" statement a split opinion among representatives from the clothing and textile

industries over the benefit of freer trade with the United States. One day later, on February 17, U.S. Trade Representative Brock met with Canadian International Trade Minister Regan to discuss freer trade and free trade zones. Brock and Regan exchanged similar inclinations to pursue negotiations on a sectoral free trade policy. They decided on rough work schedules and determined that more technical and statistical studies were needed. On June 6, they met again and then the two ministers instructed their officials to examine prospects for certain sectors, such as steel, agricultural equipment and supplies, computer data services, and urban mass transit equipment. Both meetings were exploratory and both sides were prepared to commence their respective studies.

Selection of specific sectors

During the past year of proposals, negotiations and studies, each side mentioned additional sectors that they felt would be economically beneficial and politically acceptable. These sectors were considered possible candidates for duty-free trade areas. Among the specific sectors mentioned were the following: petrochemicals, clothing and textiles, "informatics," 1/ electrical power equipment, beef, furniture, wood products, cosmetics, alcoholic beverages, nonferrous metals, fisheries, and professional and scientific instrumentation. From the official list and this informal list of recommended items, each country has stressed particular domestic industries that could benefit and prosper from these new market and trading conditions because of either their comparative advantage or their excellent growth potential. The American sectors thought to have excellent growth potential are telecommunication equipment, informatics, furniture, woodworking, machinery exports (such as power-generating equipment), agricultural machinery, general industrial machinery, metal, paper, and professional and scientific instruments and medical equipment. 2/ Whereas the Canadians are considered to possess comparative advantages or opportunities for growth in the following sectors: urban mass transit, textiles, certain petrochemical products and specialty steel. 3/

As a followup to the agreed-upon studies, USTR Brock submitted a request to the U.S. International Trade Commission to conduct an investigation under section 332(g) of the Tariff Act of 1930 and to advise the President as to the probable economic effects of providing duty-free treatment for certain imports from Canada on industries in the United States producing like or directly competitive articles and on American consumers. Brock requested the Commission's advice on 10 specific sectors: furniture, wood and wood products, paper and paper products, cosmetics and perfumery, petrochemicals, alcoholic beverages, informatics, steel and steel products, pesticides, and certain agricultural machinery. 4/

1/ Informatics is a word used to embrace all forms of high-technology computer and communications goods and services.

2/ Thomas K. Brewer, "Opportunities in the Canadian Market," Business America, Sept. 5, 1983, p.5.

3/ B.W. Wilkinson, "Canada-US Trade Policy Relations," Views and Comments, 1984, p. 101-02. Business Week, Jan. 16, 1984, p. 43.

4/ The findings of the Commission were transmitted to the USTR on Mar. 15, 1985.

Obstacles

By the end of 1984, many formidable obstacles still remained in the negotiation process toward any sectoral free trade agreements. A difficult barrier for both countries would be to obtain approval by GATT. If the Canadians and Americans decide to exchange concessions of a discriminatory or preferential nature that could conflict with the MFN principle, a waiver through either article XXV:5 or through the free trade area provisions of article XXIV would be necessary. Among other obstacles in the way of fruitful negotiations are the Canadian Federal and Provincial Governments' procurement policies, the high value of the U.S. dollar and the change of ruling political parties in Canada.

On both levels, the Canadian Government plays a larger and more overt role in Canadian industry and business than does its U.S. counterpart. Both the Federal and Provincial levels have Crown corporations, essentially Government-owned firms that usually prefer to purchase Canadian-made goods and services. Although several of these organizations are customers of the United States, some American industries and businesses think that in Canada they are at a distinct disadvantage in competing against Crown corporations. This handicap is even more distorted with the high value of the U.S. dollar vis-à-vis the Canadian dollar. These two aspects tend to aggravate existing trade relations and could hinder any progress on the sectoral free trade front, particularly as some U.S. industries seek more protection rather than freer trade in light of these factors.

Finally, Canada is experiencing a transitional phase because of the recent national elections. The new Government is exploring trade policy options on a number of different fronts and these possibilities will be outlined later in 1985 in the form of an official Government release. This document should provide a clearer view of future economic objectives and Canadian trade policies.

Status of initiative by the end of 1984

As a result of these obstacles, the initiative was in a state of flux at the end of 1984, with neither side adopting a negative position or openly embracing the proposal. In addition, the Mulroney government, which was elected in September 1984, seems to be taking a more cautious approach to the initiative than did the former government. Alternatives to the sectoral free trade approach in the form of so-called functional approach have been mentioned. They would be an attempt to harmonize United States and Canadian trade policies in such areas as government procurement, and antidumping and antisubsidy practices. This tack may prove to be more feasible and to generate faster results because it is much less politically volatile. 1/

1/ Even the Trade Declaration issued as part of the Quebec summit on Mar. 17-18, 1985, did not shed a great deal of light on the status of the sectoral free-trade initiative. President Reagan and Prime Minister Mulroney charged their respective trade leaders to establish a bilateral mechanism "to chart all possible ways to reduce and eliminate existing barriers to trade and to report to us within six months."

Maritime boundary dispute settlement

A long-standing boundary dispute between the United States and Canada was resolved in 1984 with a decision of the International Court of Justice (ICJ) that delimited the continental shelf and the 200-mile fishing zones off the east coast of both countries. The finding resolved the bilateral issues of fishing rights and offshore oil exploration and development; it also set an international precedent for the resolution of maritime boundary disputes.

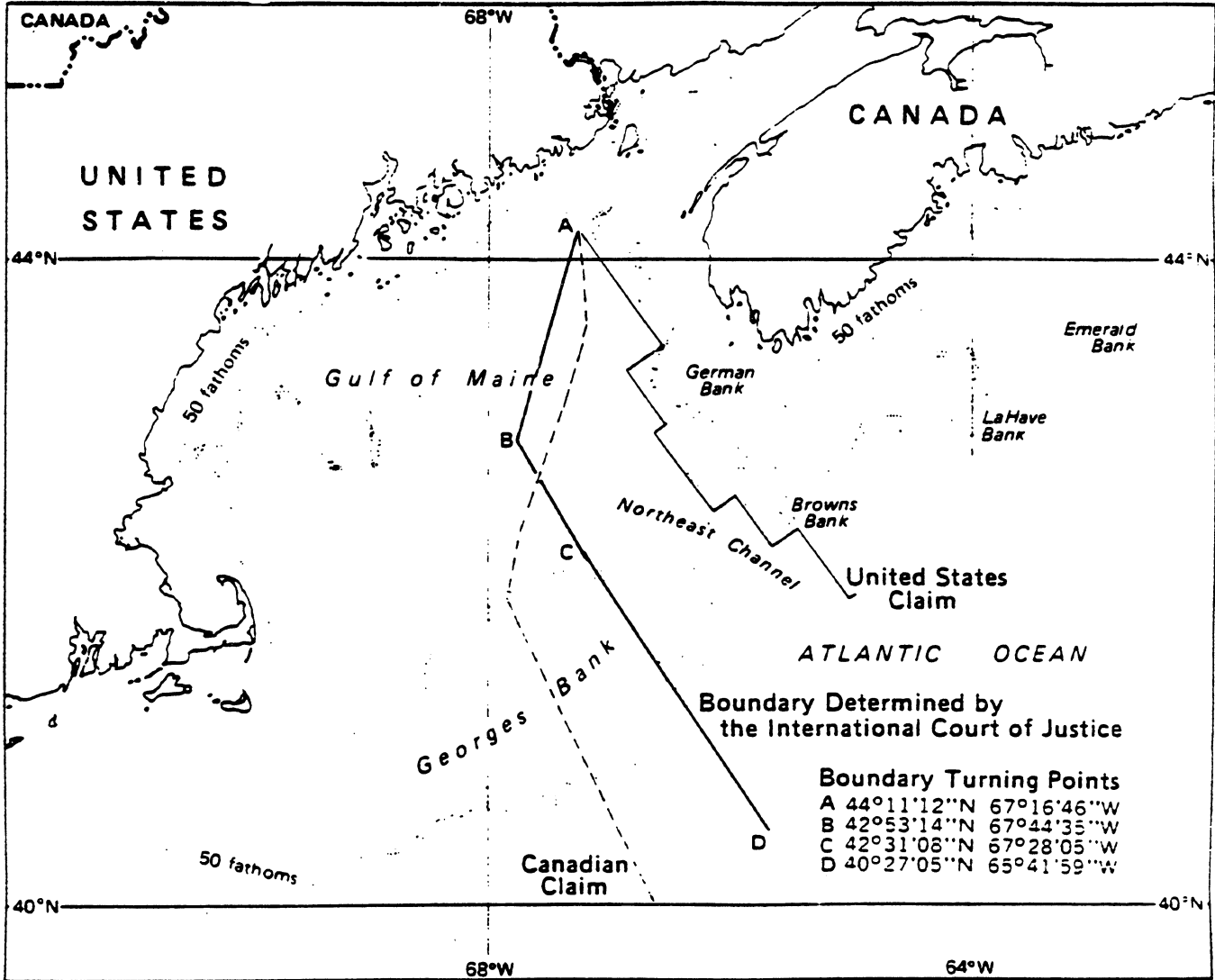
U.S. fishermen have been working the area of Georges Bank since 1820. Canadian fishermen only began significant fishing in the area in the 1960's. The extension of both United States and Canadian fishing jurisdictions to 200 miles in 1977 resulted in overlapping boundary claims in the Gulf of Maine. (See figure 2). The ICJ's resolution of these claims had a significant effect on the fishing rights of each country. Fish and shellfish landed from the disputed portion of Georges Bank are worth over \$100 million per year. Groundfish and scallops are the principal catch in the area. The disputed area was between 13,000 and 15,000 square nautical miles in size; it included one of the world's richest fishing grounds, the northeastern half of the Georges Bank.

The dispute appeared to be moving toward settlement in 1979 through two linked treaties: one on the boundary and the other on fisheries. But the latter treaty was not ratified, and progress toward resolution of the dispute stalled in early 1981. In a treaty that entered into force on November 20, 1981, each country agreed to ask the ICJ to adjudicate the dispute and to accept its decision in the case. Three sets of written pleadings were followed by oral arguments in May of 1984. The ICJ decision was announced in October 1984. It essentially divided the disputed area in half, but gave Canada maritime jurisdiction over a particularly rich portion of the waters and the sea bed. ^{1/}

The Gulf of Maine case was one of the first cases to be decided at the ICJ since the 200-mile exclusive economic zone concept was fully accepted as international law. In 1977, the United States and Canada extended their fisheries jurisdictions as a reaction to the overfishing of the Northeast Atlantic fishing grounds by fleets from Japan and both Eastern and Western Europe. Such extensions of coastal-state jurisdictions seaward to 200 nautical miles have become more frequent in the last two decades, leaving in their wake hundreds of maritime boundary disputes. Settlement of the Gulf of Maine dispute by the ICJ further develops international law in an area of exceptional importance to the international legal community.

^{1/} For a discussion of the ICJ decision and its potential impact on United States and Canadian fishing, see Conditions of Competition Affecting the Northeastern U.S. Groundfish and Scallop Industries in Selected Markets, United States International Trade Commission, Publication 1622, December 1984, pp 203-207.

Figure 2.--United States - Canada Maritime Boundary Determined by the International Court of Justice



THE EUROPEAN COMMUNITY

The Economic Situation in 1984

In 1984, the EC economy charted a modest rate of recovery from the recession of the early 1980's. The EC economy was fueled in part by increased exports to the U.S. market. ^{1/} EC industrial production in 1984 grew 4.5 percent over 1983. The EC registered a 2.2 percent average growth rate in real GDP in 1984, up from 0.9 percent in 1983. The EC's economic recovery was led by a growth rate of 2.9 percent in Italy, 2.4 percent in West Germany, and 2.0 percent in Britain. France's growth rate was 1.4 percent in 1984. The EC inflation rate for 1984 averaged 5.5 percent, down from 7.7 percent in 1983--the best economic news to emerge from Europe in 1984. The rate of inflation was about 2.1 percent for West Germany, 5 percent for Britain, 6.5 percent for France, and 9.1 percent for Italy. The EC's current account was balanced in 1984. EC members' budget deficits averaged 5.3 percent of GDP.

The EC's growth rate was not strong enough to reverse the rising tide of unemployment in 1984. There were 13 million persons unemployed in the EC during 1984, bringing the average rate of unemployment to 11.6 percent, up from 10.4 percent in 1983. The rising level of unemployment was Europe's principle economic problem in 1984. The rate of unemployment was 8.6 percent for West Germany, 11.1 percent for France, 13.5 percent for Italy, and 12.2 percent for Britain.

Merchandise Trade with the United States

Table 13 shows that the total value of two-way U.S.-EC trade increased from \$86.2 billion in 1983 to \$101.7 billion in 1984. U.S. exports to the EC represented 21 percent of total U.S. exports to the world in 1984. U.S. imports from the EC constituted 18 percent of total U.S. imports from the world in 1984. The table shows that the United States recorded a merchandise trade deficit with the EC of \$12.1 billion, up from a \$1.3 billion deficit in 1983. The United States had trade deficits with West Germany (\$8.5 billion); Italy (\$3.7 billion); Britain (\$2.8 billion) and France (\$2.1 billion). The U.S. trade deficit with the EC constituted 11 percent of the total U.S. merchandise trade deficit with the world. The strength of the U.S. dollar was a major factor in making EC exports more attractive to U.S. consumers. U.S. exports to the EC rose slightly from \$42.4 billion in 1983 to \$44.8 billion in 1984. U.S. imports from the EC rose from \$43.8 billion in 1983 to \$56.9 billion in 1984. The record U.S. merchandise trade deficit with the EC is generally attributable to both the strength of the dollar and the economic recovery in the United States.

^{1/} The EC's Commission estimates that the increase in U.S. imports from the EC countries in 1983 and 1984 contributed approximately 0.3 percent to the growth of the EC's GDP in both years. Commission of the European Communities, "Annual Economic Review," European Economy, November 1984.

Table 13.--U.S. trade with the European Community, by SITC 1/ Numbers (Revision 2), 1982-84

(In thousands of dollars)				
SITC Section No.	Description	1982	1983	1984
			U.S. exports	
0	Food and live animals	4,005,931	3,779,322	2,995,799
1	Beverages and tobacco	908,497	845,275	869,429
2	Crude materials--inedible, except fuel	5,960,724	5,335,237	5,147,973
3	Mineral fuels, lubricants, etc	3,764,593	2,218,133	2,196,203
4	Oils and fats--animal and vegetable	248,468	197,814	208,764
5	Chemicals	4,962,724	4,852,351	5,593,468
6	Manufactured goods classified by chief material			
		3,132,115	2,802,690	2,681,996
7	Machinery and transportation equipment	17,548,041	17,460,516	19,267,386
8	Miscellaneous manufactured articles	4,480,514	4,268,182	4,466,755
9	Commodities and transactions not elsewhere classified			
		711,615	660,863	1,367,881
	Total	45,723,222	42,420,383	44,795,655
			U.S. imports	
0	Food and live animals	1,098,839	1,300,235	1,598,938
1	Beverages and tobacco	1,869,993	2,015,813	2,110,290
2	Crude materials--inedible, except fuel	478,274	552,156	732,946
3	Mineral fuels, lubricants, etc	6,638,707	5,642,403	6,500,492
4	Oils and fats--animal and vegetable	48,318	48,902	57,315
5	Chemicals	3,515,384	4,275,207	5,478,285
6	Manufactured goods classified by chief material			
		7,385,027	7,404,053	9,354,191
7	Machinery and transportation equipment	14,756,742	15,582,138	21,433,669
8	Miscellaneous manufactured articles	4,967,366	5,493,175	7,625,028
9	Commodities and transactions not elsewhere classified			
		1,541,555	1,453,643	1,985,124
	Total	42,300,204	43,767,725	56,876,278
	1/ Standard International Trade Classification.			

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

Note.--Because of rounding, figures may not add to the totals shown.

Table B-3 shows that the leading items in U.S. exports to the EC in 1984 consisted of office machinery parts (\$3.0 billion), computers (\$2.6 billion), soybeans (\$1.8 billion), coal (\$1.5 billion), aircraft parts (\$1.5 billion), engine parts (\$1.3 billion), and aircraft (\$1.0 billion). With the exceptions of soybeans and aircraft, the value of each of these items rose in 1984 over the previous year's level.

Table B-4 shows that the leading items in U.S. imports from the EC in 1984 consisted of motor vehicles (\$6.2 billion), crude petroleum (\$4.7 billion), motor fuel (\$1.1 billion), and airplanes and airplane parts (\$884 million). The value of these items rose in 1984 over the previous year's level.

Major Policy Developments Affecting Trade

Agriculture

In March 1984, the EC's Council of Agricultural Ministers agreed to implement the EC's farm price package for 1984-85 which included a number of measures to reform the controversial Common Agricultural Policy (CAP). The EC set production quotas on surplus products, set lower common EC farm prices, proceeded to gradually eliminate Monetary Compensatory Amounts 1/, and empowered the Commission of European Communities to negotiate tariff quotas on nongrain feed ingredients (NGFI's) at the GATT. 2/

The EC's 1984-85 farm package set milk production quotas for 5 years at 1 percent above 1981 milk deliveries. If milk producers or dairies exceed their assigned limits, fines are imposed. The milk production quota for 1984-85 was 98.4 million tons. Members were allowed to produce additional quantities of milk during a transition period from 1984 to 1985. To cover this cost, the co-responsibility levy that dairy farmers already pay as part of the EC's program to discourage surplus production was raised to 3 percent of the target price. The EC also placed production curbs on wine and reduced various production or consumption subsidies in the livestock, butter, and fruit and vegetable sectors.

CAP prices in 1984-85 were tied to attempts to reform the CAP. Average common farm prices for 1984-85 were reduced by 0.5 percent when expressed in European Currency Units (ECU's). 3/ Although average prices were increased by 3.3 percent when converted into national currencies, the EC's 1984 inflation rate of 5.5 percent meant a decline in real farm income. Milk and sugar prices were frozen at 1983 levels.

1/ Monetary Compensatory Amounts are internal border payments and deductions to offset the distortions that currency changes cause common EC farm prices.

2/ With this mandate, the EC's Commission began negotiations with third country suppliers to cap imports of corn gluten feed and other NGFI's with appropriate compensation. The EC claims such action is required as part of a broader effort to reform the CAP, lower CAP costs, and encourage homegrown production of NGFI's.

3/ In 1984, one ECU averaged US\$.83.

New trade instrument

In April 1984, the EC adopted a new trade law to strengthen its defense against "unfair trading practices" used by nonmembers in EC and foreign markets. 1/ The new law allows member firms and Governments to lodge complaints with the Commission of the European Communities if they believe they are victims of unfair commercial practices--practices used by nonmembers that are incompatible with international law or the rules commonly accepted by the EC's main trading partners regarding commercial policy. If--after its investigation--the EC finds material injury caused or threatened to EC industry, the new law provides means for taking countermeasures against the offending country, such as imposition of quotas or increased duties. A novel provision in the new instrument authorizes the EC to identify and counter injury met by EC firms in export markets. 2/ By yearend 1984, no EC member or firm had lodged a complaint under the new trade law.

Information technology

In February 1984, the EC adopted a new, 5-year, \$1.3 billion program to promote research in information technology (IT) called ESPRIT--European Strategic Program for Research and Development. 3/ ESPRIT is designed to encourage cross-frontier research and development (R&D) collaboration among member Governments, firms, and research centers to aid European high-tech industries. The EC pays one-half of research projects whose participants are from two or more member states. ESPRIT was created to help improve Europe's third place standing--after the United States and Japan--in R&D and commercial exploitation of IT products. The EC has a large trade deficit in IT products and believes that individual members and firms cannot reverse the deficit since their scale of resources committed to R&D is too small to be effective.

For the first year of the ESPRIT program, the Commission of European Communities chose 104 projects (out of a total of 441 proposals) to receive research grants. The 104 projects involve 270 firms, universities, and research centers in the EC and deal with microelectronics, software technology, advanced data processing, office automation, and computer-aided design and manufacture. Five non-EC multinational firms are involved in nine ESPRIT contracts through their EC subsidiaries: ITT (three projects), AT&T

1/ In 1982, the Council of Ministers called for the EC to respond more quickly and efficiently to unfair trading practices used by nonmembers that cause injury to EC industry. The EC's Commission responded in February 1983 with the proposed new trade instrument. Previously, such import relief actions were taken with the agreement of all member governments and most in the EC found the method to be ineffective. The EC already has trade defense instruments that include antidumping and antisubsidy procedures and surveillance or safeguard mechanisms.

2/ The EC claimed the new law was partly inspired by section 301 of the U.S. Trade Act of 1974 and gives the EC the same scope for action as the United States and Japanese Governments already have. The subsidized sale of U.S. wheat flour to Egypt in early 1983 may have accelerated pressures in Europe for adoption of the new instrument.

3/ Information technology refers to industries whose products process or transmit information.

and Bell Telephone (two projects each), and IBM and Digital (one project each). Their combined participation represents about 2 percent of the 1984 ESPRIT program. Japanese firms were not among the recipients of ESPRIT grants for 1984.

Lomé Convention III

On December 8, 1984, the third Lomé Convention (Lomé-III) was signed by the EC and 65 African, Caribbean, and Pacific (ACP) countries after a year of difficult negotiations. The new 5-year treaty came into force in March 1985. The Lomé Convention is a long-term treaty governing nonreciprocal preferential trade between the EC and ACP states. Under the terms of the treaty, the EC provides grants and loans to the ACP states from the European Development Fund and the European Investment Bank to finance development projects, tariff reductions on many ACP farm exports to the EC, and ACP industrial free trade access to the EC. In a program called STABEX, the EC is committed to covering losses on ACP countries earnings from 48 agricultural export products due to a drop in prices or production. In a program called SYSMIN, the EC provides financial aid to the mining industries of the ACP members. Lomé-III will cost the EC 8.5 billion ECU's during its 5-year duration.

Enlargement

Negotiations took place during 1984 to set the terms of accession of Spain and Portugal to the EC, now scheduled for January 1, 1986. Both countries applied for membership in 1977, but serious accession negotiations did not begin until 1983. In 1984, the chief stumbling blocks to agreement revolved around the terms of accession, in particular the transition period during which both sides would eliminate trade barriers. Spain and Portugal argued for longer transition periods during which import levies and quotas on products from the EC would be progressively reduced. The EC argued for a longer transition period during which imports of Iberian wine, olive oil, fruits and vegetables, steel, and textiles would be subject to progressively reduced quotas. 1/

U.S.-EC Bilateral Trade Issues

Some of the trade problems between the United States and the EC stem from fundamentally different approaches to state interventions in the economy; others are narrower problems over specific products like steel pipe and corn gluten. When compared to a trade turnover of \$100 billion, the value of trade in products on which the two sides differ appears small. Yet when viewed

1/ By yearend 1984, accession negotiations with Portugal were largely completed. Portugal responded to EC pressure and agreed to continue to restrict textile exports to the EC. Negotiations with Spain continued through early 1985 and became entangled over Spain's access to the EC's exclusive 200-mile common fishing zone and to the EC market for fruits and vegetables. Spain agreed to limit fruit and vegetable exports to the EC during a transition period following accession to buy time for southern EC farmers to adjust to new competition. The EC agreed to restrict during a transition period exports of EC beef, cereals, and some milk products to Spain in response to Spanish fears of an influx of these products.

in terms of specific sectors--e.g., wine and wheat--there are serious problems. The tone of the relationship in 1984 was not conducive to resolving bilateral trade problems. Threats of protectionism were heard across the Atlantic as both sides grappled with their relative economic predicaments. 1/ Competition grew increasingly sharp in 1984 as the two trading giants competed for third country markets, particularly North African and Middle Eastern agricultural markets. Much of the trade discord is rooted in different approaches to economic and trade policy that are as old as the United States-EC relationship itself. Differences in 1984 revolved around usage of export subsidies and credits, 2/ export controls, 3/ and exchange rate fluctuations. 4/ A brief review of specific bilateral trade issues follows.

Steel

Trade in steel was a major problem area in bilateral relations during 1984. On March 1, 1984, the EC imposed restrictions on certain imports from the United States in retaliation against U.S. curbs on imports of specialty steel imposed in 1983. The EC increased tariffs on styrene, polyethylene, sporting goods and sporting equipment and snow skis; and imposed quantitative restrictions on methanol, vinyl acetate, and burglar alarms. The EC invoked GATT rules, claiming the U.S. actions entitled it to compensation at a level substantially equivalent to the trade in specialty steels lost or impaired.

Imports of pipes and tubes from the EC, while not included in the U.S.-EC Arrangement Concerning Trade in Certain Steel Products 5/ (the Arrangement) negotiated in 1982, were to be held at 5.9 percent of apparent U.S. consumption under the terms of a separate letter of understanding. According to the understanding, consultations were to be held should EC shipments exceed this

1/ Import relief pressures mounted in the United States due to the surge of imports fueled by a very strong dollar, and in the EC because of high unemployment and sagging industrial competitiveness.

2/ One of the most confrontational differences is over export subsidies. The United States argues against the EC's usage of export subsidies and the EC argues against the U.S. usage of export credits as means to facilitate exports. The EC's subsidized sale of surplus butter to the Soviet Union in late 1984 prompted the United States to respond by leaving the International Dairy Arrangement (for more information see section on the International Dairy Arrangement in chap. II). No progress was made in 1984 to negotiate an understanding on these matters.

3/ The EC protested the proposed Export Administration Act, which was not adopted by the U.S. Congress in 1984 but is expected to be reintroduced in 1985, over the questions of export controls and extraterritoriality. Certain EC members disagreed with the United States about which exports products have military applications and thus should be subject to COCOM restrictions on sales to the Soviet bloc. The United States and the EC also disagreed on the extent to which U.S. domestic law extends to foreign companies that are subsidiaries of U.S. firms. The EC believes that U.S. domestic laws should not apply to U.S. subsidiaries abroad.

4/ EC members and the United States differed in 1984 over the strength of the U.S. dollar relative to the European currencies. Differences over whether exchange rates should be set by coordinated policy or by the market have actually plagued relations over many years.

5/ See Operations of the Trade Agreements, 35th Report, 1983 p. 231-2.

level. Negotiations in late 1984 between the United States and the EC failed to limit the surge in imports of EC pipes and tubes, which had reached a level of almost 14 percent of apparent U.S. consumption.

On November 29, 1984, the United States Government embargoed imports of all EC steel pipe and tube until yearend 1984. The United States claimed that the increase of steel pipe and tube imports from the EC contravened the letter of understanding in the 1982 U.S.-EC Arrangement. 1/

Agriculture

Trade in wine and corn gluten feed again dominated the bilateral farm trade agenda in 1984, although neither side took restrictive action against the other.

The EC is concerned about continued access to the U.S. wine market. Its wine exports have steadily risen from \$583 million in 1980 to \$825 million in 1984. As a result, the EC protested a section of the Trade and Tariff Act 1984 that allows U.S. grape growers to introduce antidumping and countervailing duty complaints against wine imports for a period not to exceed 2 years. Previously, only U.S. wine producers were allowed to lodge such complaints. 2/ The EC has challenged the legality of the law based on GATT rules which specify that only producers of the same or a like product may introduce complaints. The Commission of European Communities initiated consultations under the GATT subsidies code in late 1984.

On April 12, 1984 the EC notified the GATT its intent to substitute zero duties on corn gluten feed and other NGFI's with tariff quotas. 3/ The EC would apply variable levies once the quotas were exceeded. The EC subsequently opened compensation negotiations under GATT article XXVIII with the United States. The EC offered to cap U.S. imports at 3.4 million metric tons without offering additional compensation. The United States rejected this and the issue remained unresolved by yearend.

1/ In January 1985, the United States and the EC reached an agreement that reduces the EC share of the U.S. market for steel pipe and tube to 7.6 percent in calendar years 1985 and 1986. Within the overall ceiling, EC exports of oil-country tubular goods are restricted to 10 percent of the U.S. market. The agreement also deals with imports that were embargoed since November 1984. It provides for 60,000 tons to be released by U.S. customs warehouses of which not more than 28,000 tons may be sold as country tubular goods. Shipments in excess of that 60,000 tons that are now in U.S. customs warehouses, may enter only after the EC issues licenses consistent with their internal burden-sharing plan and are included within the 7.6 percent limit.

2/ On Jan. 27, 1984, the U.S. International Trade Commission instituted preliminary countervailing duty and antidumping investigations to determine if the U.S. wine industry was materially injured by certain wine imports from France and Italy on which grants were alleged to be paid. The petition was filed by the American Grape Growers Alliance for Fair Trade. In March 1984, the Commission made a negative determination in these investigations.

3/ Corn gluten feed, a high-protein, high-fiber, NGFI, is a coproduct of the corn-refining process. Corn refining is a procedure by which products such as starch, oil, and syrup are extracted from the corn kernel. The substances that remains after these products are removed is corn gluten.

U.S. exports of corn gluten feed to the EC, its largest customer, rose from \$426 million in 1980 to \$562 million in 1983 before dropping to \$515 million in 1984. The recent drop in exports is cited by the U.S. industry to refute EC charges of increased imports. With the popularity of corn gluten as an animal feed, the usage of grain in animal feed has declined. The EC believes that use of domestic grain in feeding has dropped, forcing the EC to export grain with subsidies at considerable cost.

Fisheries

In 1984, the United States and the EC negotiated the renewal of a 1977 agreement that regulated the access of EC fishermen to U.S. fishing waters. The 1984 agreement will be in effect through 1989. In exchange, the EC agreed to share expertise, facilitate the transfer of harvesting technology to the U.S. fishing industry, and foster joint fishing arrangements between the two sides.

JAPAN

The Economic Situation in 1984

The Japanese economy performed extremely well in 1984. Overall economic activity advanced at a healthy clip, industrial output rose significantly, inflation was low, and domestic investment was strong. As Japan's recovery from the recent recession gained momentum in 1984, real gross national product grew by 4.9 percent and industrial production rose by more than 11 percent, its first double-digit advance since 1976.

The marked recovery in demand came chiefly in the form of sharply rising exports. Indeed, the United States increased its purchases of Japanese products by nearly 40 percent in 1984. Private investment in plants and equipment followed exports as a source of growth. Fixed capital investment performed better than it has done in 4 years, registering a 7.7 percent increase from 1983. However, other components of domestic demand, such as personal consumption and new housing starts, were relatively weak. Strict budgetary restraint meant that fiscal policy's role in reinforcing the economy's export-led recovery was slight.

Japan maintained strong growth in 1984 without reviving inflation. Consumer prices showed an average rise of only 2.2 percent, the second lowest annual price increase in 23 years (just behind 1983's 1.9 percent rate). A relatively nonexpansionary monetary policy and weak world commodity prices helped to moderate upward pressures on wholesale prices, which were up just 0.3 percent from the previous year.

The only trouble spots in Japan's economic picture were unemployment--averaging 2.7 percent of the workforce in 1984, the highest figure in 32 years--and business failure rates, which rose 8.8 percent in 1984, mainly in the textiles, construction, and food processing industries. Still, Japan's unemployment rate was the lowest among industrialized countries in 1984.

The yen started 1984 at around Y234:US\$1 and appreciated to the low 220's by early March. From midyear onward, however, the yen steadily lost strength, closing the year at Y251:\$1, mainly in response to sharply increased capital outflows. The weakness of the yen precluded the use of monetary policy to stimulate the economy. Nevertheless, the money supply expanded about 7 percent in the year and interest rates were relatively low, with the Bank of Japan's discount rate averaging 5 percent and the commercial loan rate 6.25 percent.

Merchandise trade with the United States

The U.S. merchandise trade deficit with Japan swelled by over 72 percent from 1983 to 1984 and totaled \$34 billion at yearend. The rapid recovery of demand in the United States and relatively slower economic upturn in Japan were both behind the widening gap, as was the continued strength of the dollar. A 7-percent rise in U.S. shipments to Japan was more than offset by a 38-percent increase in U.S. imports from Japan. Higher Japanese sales of capital goods, autos, steel, and consumer electronic products contributed to the rise (table 14).

U.S. exports to Japan totaled \$22.7 billion in 1984. Two agricultural products, corn and soybeans, led the list of items exported by the United States to Japan. (Table B-5) Japan, as well as the other major Far East trading partners, Taiwan and Korea, imported principally agricultural commodities and raw materials from the United States while exporting finished goods.

However, some progress was made by U.S. exporters in marketing manufactured goods in 1984. U.S. exports of machinery and equipment--the leading product sector--rose by more than 8 percent in 1984, accounting for \$5.1 billion in shipments despite a 33-percent decline in the value of aircraft sales, usually the most important single item in this category (table B-5). U.S. exports to Japan of computers, power-generating equipment, metalworking equipment, transformers, broadcast and communications equipment, automotive parts, and aircraft engines and parts each increased by more than 20 percent in 1984. Food and live animals was the next leading export category, accounting for \$4.7 billion in shipments in 1984--up 10 percent from 1983. Crude materials followed, at \$4.4 billion, 6 percent higher than in the previous year. Sharp declines in U.S. shipments of coal, tobacco, and logs and lumber were offset by sizeable increases in sales of inorganic chemicals, steel scrap, raw cotton, and hides and skins.

U.S. imports from Japan jumped by 38 percent in 1984, to \$57 billion. Machinery and transportation equipment were by far the largest import categories, accounting for about three-fourths of total U.S. imports (table B-6). At \$42.1 billion, such purchases were 41 percent higher than in the previous year. Automobiles was the most significant single item in this category, but capital goods--such as business machines, metalworking machinery, electrical machinery, and other transportation equipment--purchases were all up by more than 60 percent in the year. 1/ Manufactured goods

1/ For a more detailed treatment of U.S. imports of automobiles from Japan, see the discussion under "Autmobiles" later in this sec.

Table 14.--U.S. trade with Japan, by SITC 1/ Numbers (Revision 2), 1982-84

(In thousands of dollars)

SITC Section No.	Description	1982	1983	1984
			U.S. exports	
0	Food and live animals	3,915,960	4,268,764	4,684,870
1	Beverages and tobacco	399,567	442,402	398,949
2	Crude materials--inedible, except fuel	4,052,160	4,183,200	4,449,789
3	Mineral fuels, lubricants, etc	2,441,187	1,995,147	1,813,969
4	Oils and fats--animal and vegetable	86,585	65,454	57,580
5	Chemicals	2,568,001	2,655,973	3,043,348
6	Manufactured goods classified by chief material			
		1,338,772	1,382,066	1,428,178
7	Machinery and transportation equipment	4,068,060	4,754,585	5,141,335
8	Miscellaneous manufactured articles	1,400,292	1,357,736	1,469,908
9	Commodities and transactions not elsewhere classified			
		96,187	120,422	204,202
	Total	20,366,770	21,225,749	22,692,129
			U.S. imports	
0	Food and live animals	277,459	337,247	401,105
1	Beverages and tobacco	14,809	22,264	28,753
2	Crude materials--inedible, except fuel	69,573	93,949	104,475
3	Mineral fuels, lubricants, etc	27,141	11,614	53,623
4	Oils and fats--animal and vegetable	5,969	6,986	7,419
5	Chemicals	859,291	1,077,242	1,282,111
6	Manufactured goods classified by chief material			
		6,827,125	5,271,866	7,290,031
7	Machinery and transportation equipment	25,667,101	29,928,613	42,079,855
8	Miscellaneous manufactured articles	3,402,314	3,780,098	4,947,357
9	Commodities and transactions not elsewhere classified			
		270,813	357,426	401,196
	Total	37,421,594	40,887,306	56,595,926

1/ Standard International Trade Classification.

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

Note.--Because of rounding, figures may not add to the totals shown.

classified by chief material was the next leading category, with the value of steel imports alone rising by 63 percent from 1983. Within the miscellaneous manufactures category, imports of scientific, professional, and medical equipment were more than double their 1983 levels, and consumer goods registered a healthy 36-percent increase as U.S. purchases of video equipment and televisions jumped by more than 60 percent.

Major Policy Developments Affecting Trade

Japan took several measures in 1984 that may significantly affect the flow of goods, services, and investment capital across its border. In late May, Japan embarked on a campaign to accelerate the integration of its domestic money markets into the world financial system and to speed the deregulation of its domestic capital markets. As a result, Japan lifted some of its interest rate controls and significantly widened the scope for foreign borrowing in Japan. Later in the year, Japan passed legislation that would deregulate its telecommunications market, a step that may open new opportunities to foreign suppliers. This legislation was part of a broader movement to deregulate certain industries in Japan.

The deregulation movement in Japan

In recent years, Japan has been attempting to reduce Government participation in certain sectors of its economy. This "administrative reform movement" is designed to stimulate growth and efficiency by introducing competition into formerly regulated economic sectors. The first major advance toward this goal was the decision in 1984 to deregulate Japan's telecommunications system and privatize its major domestic phone company, Nippon Telegraph and Telephone (NTT). The plan to turn over the distribution and sales of cigarettes from the Government-controlled Japan Tobacco and Salt Monopoly (JTS) to the private sector in 1985 is also part of this movement. Both decisions, and their implications for trade, are discussed below.

Telecommunications equipment and services

After nearly 3 years of debate, Japan passed three bills on December 20 designed to allow competitors to enter into Japan's telecommunications equipment and services market. The laws passed in 1984 allow entry by private businesses, effective April 1, 1985, into both the data and specialized communications services markets and the market for customer provided equipment--telephones, answering machines, etc. By 1987, the doors will be opened to competitors in Japan's market for regular long distance telephone service.

The legislation eliminates NTT's monopoly in the common carrier market and recasts the giant firm as a semi-public corporation, with two-thirds of its shares to be sold to the public by 1990. ^{1/} Although the reorganized NTT will be limited to offering domestic services, it will be given certain freedom in management that the present NTT lacks. The new NTT will be able to offer data communications services along with telephone and other basic services and will be allowed to invest more freely in related areas of business. This latter freedom will enable the new NTT to create affiliate companies in equipment and services fields. (NTT does not actually produce telecommunications equipment now.)

^{1/} Initially, more than 50 percent of the new NTT's shares will be Government-held.

Because Japan's telecommunications market is second in size only to that of the United States, the new telecommunications law could potentially open substantial new opportunities to foreign service and equipment suppliers. ^{1/} However, the terms of such competition will largely be given form in the ministerial ordinances carrying out the NTT break-up. Drafting of these ordinances, expected to be finalized by mid-1985, is being closely monitored by foreign governments to ensure that foreign firms will have fair opportunities to compete. In particular, they want to prevent the creation of administrative barriers--such as unnecessary technical standards, discriminatory certification procedures, or preemptive registration requirements--to selling communications equipment and services in Japan. Japan took steps in 1984 to assuage these concerns and agreed to review implementation of the legislation in three years.

Cigarettes and other manufactured tobacco products

For many years, foreign firms have been seeking increased access to the \$10 billion (in 1983) Japanese market for cigarettes and other manufactured tobacco products. Most feel that the primary barrier to foreign penetration has been the presence of a Government monopoly that controls pricing and distribution of cigarettes and other tobacco products, the Japan Tobacco and Salt Public Corporation. U.S. producers, who are highly competitive in the world market, only had a 2-percent share of the Japanese cigarette market in 1984.

In August 1984, the Japanese Diet passed legislation that would end the monopoly by JTS over manufactured tobacco sales as of April 1, 1985. (JTS will continue to be the country's sole cigarette manufacturer.) The privatization of JTS could considerably open Japan's market to foreign cigarette suppliers. Once implemented, the measures should end Japanese Government control over distribution, enable foreign firms to independently set prices and marketing strategies, and allow continued expansion of the number of retail outlets permitted to handle imported tobacco products. However, the actual market-opening effect of this legislation will hinge on the manner in which it is implemented. Prices will no longer be set by the Government, but they will still be subject to Ministry of Finance approval. The United States has asked Japan to ensure that the approval process is truly transparent, essentially automatic, and neither arbitrary nor discriminatory.

Financial market liberalization

In late May, Japan agreed, with U.S. prodding, to adopt a series of measures that will make it easier for foreigners to borrow funds in Japan. The measures are embodied in a jointly written report released on May 29, 1984, by the Japanese Minister of Finance and the U.S. Secretary of the Treasury.

^{1/} Japan is the second largest market in the world for telecommunications equipment, accounting for approximately 9 percent of world consumption and 11 percent of world production. NTT's procurement comprised about 40 percent of the market in 1983. Until now, imports have played a very small role in Japan's telecommunications equipment market, accounting for only 1.4 percent of consumption in 1983. See Japanese Government "External Economic Measures": the U.S. Government's Assessment of their Implementation and Impact, (U.S. Department of State, for the Senate Foreign Relations Committee, October 1984, p. 29-30).

In 1983, the United States had strongly urged Japan to relax restrictions on foreign participation in its capital markets and to take steps that would allow the yen to become a more widely used currency. The Reagan Administration felt that such steps could take pressure off the dollar in foreign exchange markets and allow the international financial system to operate more efficiently.

During President Reagan's visit to Tokyo in November 1983, Japan promised to further open its financial system and the two countries created a task force to propose ways to achieve this goal. ^{1/} In six meetings over as many months, the task force developed a set of recommendations to liberalize foreign access to Japan's financial markets. The Report on Yen/Dollar Exchange Rate Issues ^{2/} presented concrete proposals to widen the number of yen-denominated asset instruments available to foreign and Japanese firms and broaden the availability of financial instruments carrying market interest rates in Japan. When the report was released, Japan indicated that it would pursue most of the measures outlined over an agreed-upon timeframe. The measures agreed to in May 1984 fall into four categories:

- o liberalization of Japanese barriers against the inflow and outflow of capital;
- o "internationalization" of the yen;
- o equal treatment of foreign financial institutions under Japanese banking and financial regulations; and
- o deregulation of domestic Japanese capital markets, allowing more instruments to yield market-determined rather than fixed interest.

Since total saving in Japan has far exceeded total spending in recent years, the measures agreed to in 1984 are likely to result in higher capital outflows from Japan. This outflow is likely to weaken the yen in foreign exchange markets. Despite this possibility, the United States Government believes that removing restrictions will provide important benefits to foreign firms by allowing them to draw more freely on Japan's vast pool of savings. At the same time, Japanese savers will benefit from higher, market-determined yields on their deposits.

^{1/} The Japanese side believed that the United States could take one step to increase Japanese direct investment in the United States--force the repeal of unitary tax laws in the 12 states that apply them. In response to these concerns, the Secretary of the Treasury submitted a report to the President in June. In the paper, Secretary Regan argued that a State's taxing authority should extend only to the "water's edge," that is, it should not consider income earned by overseas affiliates of parent companies in that state. Several States are considering doing away with their unitary tax laws voluntarily.

^{2/} Japanese Ministry of Finance-U.S. Department of Treasury Working Group to Japanese Minister of Finance Noboru Takeshita and U.S. Secretary of the Treasury Donald T. Regan, Report on Yen/Dollar Exchange Rate Issues, May 1984.

United States-Japanese Bilateral Trade Issues

Although no major ruptures took place, 1984 was a difficult year for United States-Japanese trade relations. Both countries faced significant domestic policy dilemmas in the year, and their responses are certain to have wide implications for future bilateral trade flows. Damage control was the watchword as a year of intense trade talks resulted in only three major market-opening measures: the yen-dollar accord signed in late May, Japan's early April decision to liberalize farm imports, and the revision of the bilateral agreement on NTT procurement. After reaching consensus on these issues, the two sides spent much of the year stalemated over proposed Japanese restrictions on foreign sales of satellites and on aspects of proposed laws that would change the terms of competition in Japan's market for computer software and telecommunications equipment and services. Meanwhile, the United States continued to be concerned about Japan's poor implementation of commitments to open its Government procurement system. Japan was also slow to fulfill its 1983 promise to minimize "red tape" barriers to manufactured imports by giving foreigners easier access to its standards certification system.

Although a good deal of political capital was expended on high technology and financial market issues in 1984, old standbys remained on the agenda, particularly autos, textiles, steel, and electronics. Japanese suppliers were affected by a number of U.S. antidumping, countervailing duty, patent infringement, and escape clause actions. Japanese high-technology electronics firms began to complain in 1984 about disingenuous use of U.S. trade laws to limit their U.S.-bound shipments. However, U.S. industry concern about unfair Japanese trade practices proved justified in some instances. As Table A-6 demonstrates, there were more antidumping orders and findings put into effect against Japanese products in 1984 than against the products of any other country.

Japan took several steps to promote imports in 1984. It lowered tariffs on products of interest to U.S. and developing country exporters and also conducted a number of seminars and buying missions in the United States. But American frustration with slow progress on bilateral issues continued to mount, particularly in light of the burgeoning U.S. trade deficit with Japan. As preparations for a Reagan-Nakasone meeting slated for January 2, 1985 were underway, U.S. trade officials decided to vigorously press Japan in 1985 for more open access to its markets for telecommunications equipment and services, electronics, pharmaceuticals, medical equipment, and forest products.

Agriculture

Though U.S. agricultural exports to Japan totaled some \$6.75 billion in 1984, American farm interests and the U.S. Government believe that they would be even higher were it not for the continued existence of quantitative restrictions and other barriers to imports. Japan has maintained quantitative restrictions on 18 categories of agricultural products for more than 20 years. The United States believes that these restrictions violate GATT accords and has pressed the Japanese Government to remove them. Japan has, in fact, gradually enlarged the quotas, though not at a pace that satisfies the U.S. Government. After 2 years of bilateral debate about the agricultural quotas, Japan finally agreed in 1984 to double its quota allotments for beef and citrus products over a 4-year period and to ease restrictions on other farm imports.

Beef and citrus

The most important quantitative restrictions in terms of potential U.S. sales are those on beef and citrus. These quotas remained the major source of tension in 1984. Under a bilateral accord reached in 1979, Japan had raised its quotas on beef, citrus, and citrus juice over a 4-year period. The United States, in turn, waived its right to challenge the quotas and other restrictions on these products in the GATT until the agreement expired on March 31, 1984. As the 4-year period drew to a close, a great deal of tension surrounded the negotiation of a new agreement. Japan had initially wanted a simple extension of the 1979 agreement, but U.S. negotiators sought both a larger increase in the quotas and a commitment by Japan to eventually end all quantitative limits on these products. Tensions were somewhat muted on April 7, 1984, with the signing of a new accord. The new agreement calls for an approximate doubling of the quotas for both categories of products over a 4-year period (table 15). The two Governments also agreed to continue discussions on further liberalization of Japan's agricultural quotas before April 1987. Liberalizing moves on citrus juice were concluded as well. 1/

Table 15.--Japan's import quotas for beef, oranges, and orange juice, 1984-87

(In metric tons)

<u>Year</u>	<u>Beef</u>	<u>Oranges</u>	<u>Orange juice</u>
1984-----	37,700	92,500	7,000
1985-----	44,600	103,500	7,500
1986-----	51,500	114,500	8,000
1987-----	58,400	270,500	8,500

Source: United States Trade Representative.

Other agricultural products

Bilateral consultations about Japan's other agricultural import quotas began in April 1982. Though Japan made several small expansion offers, they fell far short of U.S. requests. Because of the lack of progress, the United States initiated dispute settlement procedures in the GATT regarding Japan's quotas on 13 categories of agricultural products. 2/ Consultations were held

1/ In addition to expanding the quota, a new blending requirement was put into effect. Half of the orange juice imported under the quota may now be blended with Japanese juice at a rate of up to 90 percent imported juice and the other half may be blended at up to 50 percent imported juice. Previously, orange juice products in Japan could only contain 50 percent imported juice.

2/ The United States is seeking elimination of 13 quotas--those on preserved milk and cream; processed cheese; dried leguminous vegetables; provisionally preserved oranges and tangerines; starch and inulin; unroasted peanuts for human consumption; prepared and preserved beef and pork in airtight containers; grape sugar and other sugar; fruit paste and puree; canned pineapple and fruit pulp; noncitrus juices; tomato sauce and ketchup; and other food preparations.

in July 1983 and again in September 1983, but were subsequently put on hold to await the outcome of the beef and citrus discussions. On June 29, 1984, the United States announced that it was dropping its GATT case for 2 years in exchange for certain measures by the Government of Japan. These measures included elimination of quotas on 5 categories of products; 1/ expansion of quotas on 4 other products; 2/ and lowering of tariffs on 32 products. 3/

NTT procurement

In early 1984, the United States and Japan renewed the bilateral agreement on NTT procurement. The new agreement will be in effect for 3 years and will be reviewed each year in April. 4/

The revised agreement reaffirms Japan's commitment to open NTT's sizeable purchases to U.S. exporters, while strengthening that commitment in a number of ways. Among the improvements incorporated into the revised agreement are commitments by NTT to treat United States and Japanese firms on an equal basis in all of NTT's R&D activities; to accept bids in English at NTT's New York office; and to aggregate purchases so as to make them commercially attractive to foreign suppliers. The new agreement also mandates annual reviews of NTT's implementation.

High technology

U.S. concern about Japanese industrial policy was reinforced in 1984, as Japan threatened to limit foreign participation in three potentially lucrative high-technology sectors: communications satellites, computer software, and telecommunications equipment and services.

Communications satellites

Japan had placed restrictions on imports of communications satellites in 1983 in an effort to promote the development of its own industry. The United States--Japan's leading foreign supplier of communications satellites--was alarmed by the Japanese ban, since U.S. makers stood to lose substantial revenues if the ban was enforced. The United States, therefore, demanded the ban's withdrawal, arguing that it was inconsistent with Japan's obligations

1/ Quotas were eliminated as of Apr. 1, 1984, on hi-test molasses and other sugars; selected noncitrus fruit purees, pastes, pulps, and juices; and various other food preparations containing less than 50 percent added sugar. Import quotas on prepared and preserved pork will be eliminated on Apr. 1, 1985, while quotas on grapefruit juice will be eliminated on Apr. 1, 1986.

2/ The products were tomato ketchup and sauce, peanuts, processed cheese, and corned beef.

3/ Twenty of these cuts were new tariff reductions while the remaining 12 cuts were accelerations of the final Tokyo Round tariff reductions.

4/ The first United States-Japan Agreement on Telecommunications Procurement went into effect on Jan. 31, 1981. A three-track system for foreign bidding was set up, calling for open bidding for simple parts, negotiated bidding for more complex equipment, and use of a more transparent process to designate suppliers of items developed jointly with NTT. During the first 3-year agreement, which expired in December 1983, U.S. sales to NTT increased from a negligible level to about \$140 million in 1983. Despite this growth, U.S. firms supplied just 4.5 percent of the products procured by NTT in 1983.

and economic stature. Japan countered that the action was within its sovereign rights and did not violate international agreements--the National Space Development Agency, the principal purchaser of communications satellites in Japan, is not covered by the GATT Government Procurement Code or the bilateral NTT accord. Thus, Japan felt it was not obliged to open the agency's contracts to foreign suppliers.

On April 27, 1984, the Japanese Government, in response to U.S. pressure, said that private firms would be allowed to purchase foreign-made satellites when NTT deregulation bills passed the Diet. (Until that time, only the Government was allowed to offer satellite services, so it continued to be the sole purchaser of communications satellites in Japan.) Government agencies, including the privatized NTT, would only be allowed to buy foreign satellites if such purchases were consistent with Japan's space development "vision." The Science and Technology Agency's, "Long Range Vision on Space Development," issued in July 1983, had identified the space industry as crucial to Japan's future technological development.

However, the statement did little to allay U.S. fears. The vague wording of the April policy pronouncement, together with the caveat that imports must be consistent with a satellite industry promotion plan, served to reinforce U.S. concerns about being closed out of the Japanese Government market. The United States has officially requested clarification of the April statement, but the Japanese Government has not yet responded. In the meantime, several private consortia are being formed in Japan to offer satellite services. Most have indicated interest in buying U.S. satellites, but under the new telecommunications regime, private firms will not be allowed to offer satellite services until 1987.

Computer software

The United States Government was very concerned in 1984 about a proposal under consideration by the Japanese Government that would change the legal protection for computer software in Japan. At present, the rights of computer software developers in Japan are protected by copyright laws. The legislation under consideration would protect computer software using patent concepts. Developers would have fewer rights under the proposed law; the length of time that software developers would retain sole distribution and other rights would be cut drastically; and they would have to reveal more proprietary information to secure even these limited rights. The U.S. Government is concerned about the proposals since adequate protection of computer software is of profound importance to the competitive and financial strength of U.S. computer companies.

The United States Government believes that only legislation that bases computer software protection on copyright concepts can adequately protect the rights of software developers. Since the Japanese proposal is fashioned after patent law, the United States is opposed to it per se.

The United States is also opposed to some of the specific clauses of the Japanese proposal that would limit developer's rights. For example, the

Japanese Government would be given the authority to force software developers to license their software. Software developers would thus lose control over the distribution of their programs, possibly undermining their ability to recoup development costs. (The Japanese Government claims that developers would receive fair compensation, but the U.S. side remains unconvinced of the propriety of this system.) Other clauses would shorten the term of protection from the current 50 years to 2 to 15 years, require registration of software, and require submission of actual programs to the Government. U.S. firms are concerned that the contents of these submissions might help competing Japanese companies gain technical and proprietary information.

After much international and some domestic opposition, the proposal was withdrawn from consideration in late 1984. However, some forces in the Japanese Government apparently believe that changes in the law are needed to help Japanese computer companies catch up. The United States is therefore concerned that changes in Japanese software protection laws may still be implemented.

Telecommunications equipment and services

The deregulation of Japan's telecommunications market discussed earlier should expand opportunities for U.S. investors in Japan's telecommunications services market and, by increasing competition in Japan's telecommunications equipment market, create new opportunities for U.S. suppliers. Nevertheless, the United States has several specific concerns about how the break-up will work:

- (a) whether the new NTT will continue to honor the bilateral agreement on NTT procurement;
- (b) whether U.S. firms will be able to compete freely in Japan's newly deregulated markets for long-distance and specialized communications services, value-added networks or VAN's; 1/
- (c) whether Japanese customers will be free to purchase telecommunications equipment (phones, modems, answering machines, etc.) from foreign suppliers; and
- (d) how such equipment will be certified as being in conformity with Japan's product standards.

1/ A value-added network is a private network that uses part of the public network. In a value-added network, customer-owned equipment, combined with lines leased from the public telecommunications system, is enhanced with the addition of data processing capabilities, such as FAX or long-distance services.

The Ministry of Posts and Telecommunications (MPT) has considerable regulatory power over the Japanese market for telecommunications services. 1/ The United States believes that the competitiveness of U.S. firms will depend very heavily on how MPT interprets its regulatory authority. U.S. negotiators have emphasized the importance of registration and notification procedures that are transparent, objective, and nondiscriminatory. It also would like assurances that business plans submitted for registration purposes will be treated in confidence, and that such applications are handled promptly. In an April 1984 announcement, the Japanese Government promised to ensure that registration and notification procedures would be simple and transparent. Foreign interests also want to obtain reasonable assurances that the new NTT will not be allowed to use revenues gained in the common carrier market to subsidize ventures in other segments of the telecommunications industry. The Japanese Government has promised to take steps to ensure fair competition between the privatized NTT and other telecommunications firms.

MPT will also be responsible for developing standards for computers, terminals, and other equipment to be connected to a telecommunications network. 2/ All such equipment must then be certified as being in conformity with these standards by entities designated by MPT. MPT is currently in the process of drafting the technical standards for telecommunications equipment and deciding which testing entities will be allowed to certify conformity with them.

The United States has two concerns about the proposed equipment standards. The first is the number and kinds of standards proposed by Japan for such equipment. The Japanese Government has suggested that some equipment may have to meet up to 60 different quality and performance standards. The United States believes that this will pose a significant and unnecessary stumbling block to foreign sales in Japan. However, it has thus far been unsuccessful in its attempts to convince Japan that "harm to the system" should be the sole criteria used to judge whether equipment may be attached to

1/ The market for VAN's in Japan was divided by the law into three categories for purposes of licensing and regulation: Class I, Special Class II, and General Class II. Class I firms are common carriers that install, own, and operate their own communications circuits. Class II firms lease common carrier circuits. Special Class II firms provide large-scale service. General Class II firms offer small-scale services. Roughly speaking, Special Class II firms are long-distance phone networks like Sprint and MCI in the United States, while General Class II services include small, in-house phone systems that use part of the public network and phone/bank account links or credit checking systems. Foreign ownership in Class I firms may not exceed one-third of the firm's total capital. Although there are no restrictions on foreign investment in Class II telecommunications enterprises, a variety of restrictions apply to large scale VANs, including registration with MPT of an acceptable business operation plan and possession of sufficient--in the judgement of MPT--financial and technical capacity to carry out the firm's proposed operations. Small VAN firms are required to notify MPT of their plans to offer services.

2/ For a more general treatment of U.S. standards-related problems in Japan, see the "Standards" sec. below.

the telecommunications network (as in the United States). 1/ Japan maintains that some of the standards it is imposing are needed to maintain the overall quality of telephone services.

The second U.S. concern has to do with Japan's proposed procedures for certifying telecommunications equipment as being in conformity with Government standards. At one point, it appeared that an industry trade association would be given the task of testing and certifying telecommunications equipment. U.S. suppliers feared that an industry organization composed of its Japanese competitors could effectively lock them out of the market. The United States has asked Japan to set up one truly independent testing entity, such as the Federal Communications Commission in the United States, to conduct these tests. Furthermore, equipment may have to receive up to five different certification marks, including ones from NTT, MITI, and the industry association. Obtaining these marks would be extremely time-consuming and costly.

Automobiles

Automobiles were the leading U.S. import from Japan in 1984, accounting for nearly one-fourth of the value of total U.S. imports in the year. Voluntary restraints continued to be applied to Japanese shipments in 1984. The restraints had been sought by the U.S. Government in 1981 so that the U.S. industry would have time to adjust to intensified Japanese competition. An initial restraint that limited exports of autos to 1.68 million units in Japanese fiscal year 1981 was extended in 1982 and again in 1983. The restraints are administered by the Japanese Government, and in fiscal year 1984, Japanese shipments were capped at 1.85 million units (plus a ceiling of 90,848 units for "Jeep-type" vehicles). 2/

1/ The phone system in the United States is the world's largest computer. It employs digital coding, electronic transmission, and packet switching to transmit voice and data signals between millions of households and businesses around the country. "Harm to the system" was the criteria developed by AT&T in the United States when the market for the supply of interconnect equipment, or equipment attached to the phone network (phones, answering machines, modems, computer terminals, etc.), was opened to competition in 1979. Standards for interconnect equipment in the United States were to be designed to make sure that equipment attached to the phone network would not cause harm to the overall system. The concept of "harm to the system" encompassed three essential criteria: (1) that equipment attached to the network should not cause physical damage to it (burning wires or connectors, etc.); (2) that equipment attached to the phone network should not cause the network to malfunction (e.g., by distorting signals); and (3) that equipment attached to the system should not cause interference to other users of the system. The United States Government asked Japan to use this frame of reference when drafting standards for interconnect equipment.

2/ "Jeep-like" vehicles were set at 82,500 during FY 1981-83.

The restraints have limited Japanese imports. In 1984, actual imports from Japan were 1.95 million units or 18.4 percent of the U.S. market (table 16). ^{1/} In 1983, auto imports from Japan totaled 1.87 million units and accounted for 20 percent of the U.S. market. In 1980, the year prior to the restraints being imposed, Japanese producers had a 22.4 percent share of America's car market.

Table 16.--U.S. imports of Japanese automobiles, 1981-84

Category	1981	1982	1983	1984
Quantity-----million units--:	1.91	1.80	1.87	1.95
Value, actual----million dollars--:	9,491	9,608	10,756	12,349
U.S. Market share-----percent--:	22.3	23.7	20.0	18.4
Average unit value-----dollars--:	4,969	5,337	5,751	6,332

Source: Compiled from two U.S. International Trade Commission reports: "U.S. auto industry: U.S. factory sales, retail sales, exports, imports, apparent consumption, suggested retail prices and trade balances with selected countries for motor vehicles," USITC Publication 1585, September 1984, and "The U.S. Auto Industry: Monthly Report on Selected Economic Indicators," USITC Publication 1650 February 1985.

The restraints have also affected car prices. In a February 1985 report, the U.S. International Trade Commission estimated that retail prices of Japanese cars were from 17 percent to 35 percent higher than they would have been absent restraints. ^{2/} The study also suggested that U.S. car manufacturers benefitted from the restraints in terms of higher profits and greater sales: profits for U.S. makers rose to a record \$9.8 billion in 1984 and sales for U.S. automakers were about 8 percent higher during the restraint period than they would have been otherwise. The study indicated that U.S. automakers used the restraint period to improve their operating efficiency by cutting costs, scrapping excess capacity, and improving distribution networks.

Steel

Japan, which accounted for nearly one-fourth of the United States' imports of steel in 1984 and was, therefore, among the countries most affected by the 1984 U.S. decision to restrict steel imports until 1990. ^{3/} Steel was one of the leading U.S. imports from Japan in 1984 and the value of U.S. purchases was up by more than 60 percent from the previous year.

^{1/} The discrepancy between the announced voluntary limits and actual imports can be attributed to the difference between fiscal and annual years, and the fact that the quota is based on Japanese exports as opposed to U.S. imports. Japan also defines autos differently. For example, jeeps, four wheel drive station wagons, and vehicles such as the Subaru "Brat" are not considered automobiles for quota purposes.

^{2/} U.S. International Trade Commission, "A Review of Recent Developments in the U.S. Auto Industry Including an Assessment of the Japanese Voluntary Restraint Agreements," USITC Publication 1648, February, 1985.

^{3/} For more information, see sec. on safeguard actions in chaps. I and V.

In December 1984, the United States concluded arrangements with seven steel-exporting countries, including Japan, which provided each country with a limited fixed share of the U.S. steel market. Japan agreed to restrict its share of the U.S. finished steel market to 5.8 percent.

However, the two sides continued to haggle over the specific terms of the restraint agreement. Japan wanted the restraints to be embodied in a year-to-year renewable agreement, with annual reviews to examine changes in market demand and industry performance. It also wanted the flexibility to decide the mix of products to be shipped within its 5.8-percent market share. The United States preferred an agreement with rigid limits on shipments of each product. It also wanted the agreement to be retroactive to October 1, 1984 (i.e., to count all shipments since that time against the first year quota), and to remain in effect for 5 years without reviews or revisions. The two countries remained far apart on the specifics of the restraint agreement at yearend.

Other bilateral issues

The United States and Japan held discussions in 1984 on a number of other trade issues. High Japanese tariffs on certain products, cumbersome testing and paperwork needed to receive regulatory approval in Japan for products subject to industrial standards, quotas on leather, and closed Government procurement were key U.S. concerns. Japan was concerned with U.S. restrictions on imports of machine tools imposed for national security reasons.

Tariffs

Although Japan has the lowest average tariff rate in the industrialized world ^{1/}, Japanese tariffs on some manufactured and agricultural products remain high, inhibiting penetration of the Japanese market by competitive foreign products. Japan has unilaterally reduced its tariffs in each of the five "packages" of trade liberalizing measures announced since December 1981.

On April 27, 1984, the Japanese Government announced it would reduce or eliminate tariffs on 31 industrial items, such as color photographic film, kraft paper, and wine. Japan also proposed advanced implementation by 2 years of its scheduled Tokyo Round reductions on 1,130 industrial products, if the European Community and the United States would do likewise. It later decided to unilaterally advance the MTN tariff cuts by two years as of April 1, 1985.

The April 1984 tariff reductions will reduce tariffs on several items of interest to the United States, including photographic film, farm machinery, and alcoholic beverages. In total, 25 of the 31 manufactured products on the reduction list are of interest to the United States. In 1983, these items accounted for roughly \$500 million of U.S. exports to Japan. The United States is still asking Japan to reduce its tariffs on other products, including forest products, aluminum, aramid fiber, grapefruit, walnuts, and wine.

^{1/} Its average ad valorem tariff rate is 2.5 percent, compared to the European Community's average rate of 2.6 percent and an average rate of 3.2 percent for the United States.

Standards

U.S. companies have complained for some time about the way regulatory requirements, particularly product standards, are drawn up and enforced in Japan. Makers of medical equipment, pharmaceuticals, automobiles, and other manufactured goods suggested that such practices often act to their disadvantage. In response to these concerns, Japan made major revisions in its standards process in 1983, but the revisions have not yet benefited a significant number of U.S. firms. 1/

The United States has since asked Japan to allow foreign testing agencies such as Underwriters Laboratories to become official testing agents, or "designated entities," for the Japanese Government. The United States feels that such a step would allay concerns by some U.S. suppliers about subjecting their production facilities to outside scrutiny, minimize the language problems frequently encountered in working through Japanese testing entities, and lower the costs of using the simpler process adopted in 1983. Toward this goal, the Ministry of International Trade and Industry approved two U.S. testing firms to conduct factory inspections for American suppliers in 1984. In addition, the Ministry of Health and Welfare has approved one U.S. testing firm to test food products, and the Ministry of Agriculture, Forestry, and Fisheries also approved a U.S. organization for grading and labeling U.S. exports.

The United States has also expressed interest in having U.S. and other foreign technical experts participate in the standards-drafting process in Japan. Standards are frequently first drafted by private trade associations in Japan and then adopted as regulations by the Japanese Government. Japan has expressed some willingness to allow foreigners to take part in these activities. However, they have thus far played a minor role in the drafting process. 2/

Leather

Japan continues to maintain quantitative restrictions on both semifinished and finished leather products. The United States believes that it could sell Japan more manufactured leather products if quotas were removed. U.S. negotiators have pursued liberalization of Japan's leather

1/ Products that are subject to official standards in Japan are generally approved by the Government using a two-step regulatory process: first, a producer's factory is inspected and registered; and second, sample products are tested and approved. These steps are often conducted by quasi-Governmental bodies called "designated entities." Revisions to Japan's standards certification laws in 1983 established the legal basis for foreign companies to use the two-step approval process in Japan. Before 1983, a different--and in many foreign producers' views, disadvantageous--set of procedures was used to certify imported goods. Foreign products were frequently subject to expensive and time-consuming dockside or lot inspection, a process that foreign suppliers believed was much more cumbersome than the relatively simple two-step process used for domestically produced goods.

2/ One reason for the lack of participation is that they are not fully apprised of drafting activities taking place. To help get around this problem, MITI issued a list of 250 standards-drafting activities that would result in official "Japanese Industrial Standards" (JIS) in July 1984 and circulated it to interested American experts.

quotas in the GATT several times since 1979. In 1983, the United States formally requested the formation of a dispute panel under article XXIII of the GATT.

In mid-March 1984, the GATT panel concluded that the quota restrictions were inconsistent with Japan's obligations under the General Agreement and thereby nullified and impaired U.S. rights. The GATT subsequently suggested that Japan progressively eliminate its import restrictions. The United States has asked the GATT to monitor closely Japan's steps to liberalize its leather import system. Japan agreed to abolish its 15-percent tariff on wet blue chrome leather by April 1, 1985. It also agreed to allocate import quotas so that importers requests for quota allotments would be fully met and to make public the size of the leather quota. To date, however, Japan has not said it will eliminate its quota restrictions.

Government procurement

The United States Government maintains that Japanese government procurement has remained essentially closed to U.S. and other foreign suppliers, despite Japan's accession to the GATT Government Procurement Code and numerous promises to purchase more from overseas suppliers. Japan opens a relatively small percentage of its procurement to bidding under the Code, and of that procurement, more than half is ultimately awarded on a noncompetitive basis. The U.S. Government formally sought consultations with Japan on this matter in 1984 under the auspices of the Code. 1/

Machine tools

Japan's rapidly rising sales of numerically-controlled machine tools in the United States have been the topic of bilateral trade talks for several years. Japan is the leading foreign supplier of machine tools to the United States and the U.S. government has grown concerned about the substantial and growing share of U.S. machine tool consumption accounted for by imports. In 1984, the Department of Commerce completed an investigation under section 232 of the Trade Expansion Act of 1962 on metal-cutting and -forming machine tools. The investigation was begun in order to determine whether the increased role of imports in the U.S. economy posed a threat to the national security. Although the Secretary of Commerce submitted the investigations findings to the President on February 27, 1984, at the close of year, the President still had not acted on the report. The President could restrict imports of machine tools if he believed that such action were necessary to safeguard the national security.

MEXICO

The Economic Situation in 1984

Mexico made an impressive recovery from its 1982 debt crisis in both 1983 and 1984, especially in the area of international economic performance. After declining more than 5 percent in 1983, its GDP expanded at an estimated 3.5 percent in 1984. Petroleum production in 1984 was about the same as in 1983. Agriculture, chemicals, in-bond industries and nondurable consumer

1/ For a more detailed treatment of these consultations, see the Government Procurement Code see in Chapter II of this report.

goods were the principal contributors to growth. The subject year was the second in the 3-year economic adjustment program Mexico was required to implement in exchange for financial support by the IMF.

The second-largest debtor in the world (after Brazil), Mexico has an estimated foreign debt of \$96 billion. In 1984, repayment obligations for one-half of this debt were restructured, giving Mexico some latitude to strengthen its domestic economy. Nonetheless, with oil revenues reduced by softening prices and its budget still not adequately controlled, Mexico was compelled to continue its austerity regime. 1/

Mexico's estimated budget deficit in 1984 amounted to 6.9 percent of the GDP. This was more than the IMF-stipulated budget deficit of 5.5 percent for the year, but a sharp drop from the 18 percent in 1982 and the 8.7 percent in 1983. Inflation slowed from 80 percent in 1983 to 59 percent in 1984.

In 1984, Mexico maintained a positive balance on current account for the second consecutive year and a positive trade balance for the third. Because imports rebounded from their very low level of 1983, the trade surplus of \$13.5 billion was somewhat lower than the \$14.5 billion surplus of 1983.

Having precipitated a global financial crisis in August 1982, 2/ Mexico subsequently impressed the world with its responsible attitude as a debtor. The trade and current payment surpluses attained by Mexico in 1983 and 1984 created a favorable climate for renegotiating the terms of its foreign debt.

In September 1984, Mexican officials and a 13-member bank steering committee representing Mexico's biggest foreign commercial creditors reached a tentative debt restructuring agreement covering one-half of the country's estimated \$96 billion overall foreign debt. 3/ The accord, a multiyear agreement, was a radical departure from the 1-year foreign debt agreements previously negotiated since the debt crisis. It was agreed that payments of Mexico's \$48.7 billion public debt to commercial banks 4/ falling due between 1985 and 1990 would be stretched out over 14 years. The new maturities are expected to reduce Mexico's debt-service ratio from a projected 74 percent to less than 50 percent.

The rescheduled part of public debt consists of (1) \$23.6 billion of outstanding balances that originally fell due between 1982 and 1984, but had been rescheduled in 1982 and 1983, (2) \$20.1 billion of outstanding balances that fell due between 1985 and 1990 but were not rescheduled, and (3) a

1/ In February 1985, the IMF became critical of Mexico for not meeting some of its economic goals for 1984. Also in February, Mexico announced the sale to the private sector or the closing-down of over 200 State-owned enterprises as a measure to curtail Government expenditures.

2/ See Operation of the Trade Agreements Program, 34th Report, 1983, pp. 193-196.

3/ On Mar. 29, 1985, part of this agreement, covering \$29 billion, was signed by most creditor banks.

4/ Mexico's total public sector debt amounted to \$67.5 billion in September 1984. The portion not covered in the proposed agreement is comprised of loans from international organizations that already have favorable terms.

post-crisis loan of \$5 billion granted in 1983. The loan agreement also saves Mexico significant amounts of interest payments by linking interest rates to the London Interbank Offered Rate (LIBOR) rather than to the U.S. prime rate, which is generally higher.

It is believed that the new debt payment accord will free Mexico after 1985 from complying with the restrictive IMF conditions imposed. Mexico's rigorous 3-year economic stabilization program was put in force in 1983 as a condition for credit authorization by the IMF ^{1/} and will expire at the end of 1985. Nonetheless, creditor banks will be entitled to receive information related to Mexico's financial and economic developments.

Merchandise Trade with the United States

Table 17 shows that the U.S. merchandise trade balance with Mexico in 1984 was negative for the third consecutive year. However, at \$6.3 billion, the U.S. deficit compared favorably with the \$7.9 billion recorded a year earlier. Until 1981, the United States traditionally had a merchandise trade surplus with Mexico. U.S. exports to Mexico in 1984 amounted to \$11.5 billion, up 31 percent over 1983. U.S. imports from Mexico totaled \$17.8 billion, up 6.9 percent.

Mexico continued to be the fourth largest single market for U.S. goods in 1984, after Canada, Japan, and the United Kingdom. Table B-7 shows that the growth of exports during the year was led by machinery and transportation items. U.S. shipments in this category rebounded to their 1982 level following a sharp decline in 1983. As in earlier years, auto parts led the list of specific export items to Mexico, with sales soaring during the year. Substantial increases were also recorded in shipments of electronic components and electrical equipment. Many of these were for Mexico's in-bond plants to assemble products that are later returned to the United States. Chemical exports were also up, replacing food as the second largest category of overall exports to Mexico. Larger shipments of oilseeds (mostly soybeans) and hides and skin contributed to the rise in exports of crude materials, the third leading category of U.S. exports to Mexico in 1984.

Mexico ranked third as a source of U.S. imports in 1984, behind Canada and Japan. However, the overall value of imports was kept relatively low by the declining value of its largest component, mineral fuels. Mexican crude oil shipments to the United States were down in both volume and value. Nonetheless, crude oil remained the top item imported from that country, dwarfing shipments of all others. Table B-8 shows imports in this section dropped 8.3 percent, to \$7.8 billion, though they were still responsible for 44 percent of overall imports from Mexico. U.S. imports of Mexican natural gas also dropped precipitously. Effective November 1, 1984, Mexico suspended its gas exports to the United States over a disagreement on price.

^{1/} Operation of the Trade Agreements Program, 35th report, 1983, p. 282.

Manufactured imports from Mexico were up in all major categories, also reflecting the effect of Mexico's effort to target manufactures as major export earners. ^{1/} Other causes were the strong dollar and the vigorous economy of the United States, which generated demand for imports overall. Imports of machinery and transportation equipment, the second leading category of overall imports from Mexico, soared--increasing 32 percent. Automobile parts, telecommunication equipment, and office machines were the leading items in the category. Most of these imports entered the United States under TSUS items 808.30 and 807.00, thus the United States levies duty only on the value added in Mexico. ^{2/}

Table 18 shows imports from Mexico under TSUS items 806.30 and 807.00 in 1982-84. Items entering under TSUS 807.00 continued to rise as a share of overall U.S. imports from Mexico, accounting for 22.2 percent of the total in 1983 and 26.9 percent in 1984.

Table 18.--U.S. imports from Mexico entered under TSUS items 806.30 and 807.00, 1982-84

Item	1982		1983		1984	
	<u>Million</u> <u>dollars</u>	<u>Per-</u> <u>cent</u>	<u>Million</u> <u>dollars</u>	<u>Per-</u> <u>cent</u>	<u>Million</u> <u>dollars</u>	<u>Per-</u> <u>cent</u>
Total U.S. imports	15,488	100.0	16,619	100.0	17,762	100.0
Imports under items						
806.30 and 807.00:	2,854	18.4	3,717	22.3	4,808	27.1
TSUS item 806.30	34	0.2	28	0.2	33	0.2
TSUS item 807.00	2,820	18.2	3,689	22.2	4,776	26.9

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

Imports of food--the third major category from Mexico--were virtually unchanged from 1983. Coffee, shellfish, and vegetables continued to be the leading items in this group.

^{1/} For details, see Foreign Industrial Targeting and Its Effects on U.S. Industries; Phase III: Brazil, Canada, The Republic of Korea, Mexico, and Taiwan, U.S. International Trade Commission, USITC Publication 1632, Jan. 1985, p.181.

^{2/} Item 806.30 of the TSUS applies to nonprecious metal articles that are (1) made or processed in the United States, (2) exported for more processing abroad, and then (3) returned to the United States for further processing. Item 807.00 applies to articles that are made in whole or in part of U.S. components, assembled abroad, and then imported into the United States. The existence of these provisions in the U.S. tariff has stimulated the establishment of in-bond plants ("maquiladoras"), which are the principal sources of 806.30 and 807.00 imports from Mexico. Mexican authorities do not levy import duties on U.S. shipments into the "maquiladoras" or export duties on outbound shipments.

As a developing country, Mexico is also a beneficiary of the GSP program of the United States. In 1984, GSP imports from Mexico were valued at \$1 billion, or 6.2 percent of total U.S. imports from Mexico. Mexico fared best among all the advanced beneficiary countries in terms of the annual GSP product review. Of the 22 new products that were added to the GSP product list for all beneficiaries, 12 were positive responses to petitions by Mexico. Various colored or special glass items accounted for the bulk of these newly eligible products. Moreover, no items from Mexico were summarily graduated from the GSP list in 1984. 1/

Major Policy Developments Affecting Trade

PRONAFICE, the Mexican Government's current medium-term economic and trade policy, is spelled out principally in the National Industrial Promotion and Foreign Trade Program. This program was presented by President de la Madrid in July 1984. Covering 1984 through 1988, PRONAFICE provides guidelines for the restructuring of Mexico's industry as a complement to the country's National Development Plan (PND) released in 1983. To minimize the country's current account deficit, PND set a goal of real annual growth of the GDP for 1983-88 at 5 to 6 percent and of growth in manufacturing at 7 to 8 percent. 2/

Unlike prior economic programs, PRONAFICE links industrial development and foreign trade together in one plan. This plan clearly reflects the high priority Mexico accords to export-oriented production. Industrial production linked to exports is targeted for the highest rate of annual growth (7.6 to 9 percent), followed by production linked to import substitution (7.3 to 8.6 percent). The largest segment of manufactures, which least depends on foreign supplies and markets, is targeted to grow at the slowest pace (6.6 to 7.7 percent.)

In 1984, the Government took new steps that affect foreign trade and investment. The Government's measures in the area of exchange rates, foreign investment, comprehensive regulations issued for the pharmaceutical industry, and new regulations for the automotive industry are discussed below.

Exchange rate policy

The international value of the Mexican peso continued to erode in 1984. Official daily devaluations added up to 32 percent by the end of the year--substantially less than the 59-percent annual inflation rate. In December 1984, the Government accelerated the peso's depreciation to make exports more competitive and arrest renewed capital flight from the country. The Government raised the currency's daily depreciation rate, which had been 13 centavos since September 1983, to 17 centavos. 3/ Analysts and exporters, who considered the peso overvalued, had been urging the Government to take this step for some time.

1/ See also "GSP Review" in chap. V.

2/ See Operation of the U.S. Trade Agreements Program, 35th report, 1983, p. 283.

3/ In March, 1985, the Government further increased the daily rate of depreciation to 21 centavos per day.

For the first 9 months of 1983, the peso remained largely stable; then began its controlled "creeping devaluation" in September, continuing at an accelerated rate from December 1984, as stated. 1/ By the end of 1984, when the peso began to depreciate at an accelerated rate, it traded at about 206 pesos to the U.S. dollar.

Foreign investment regulations

In 1984, the Government continued to emphasize interest in attracting direct foreign investment. Nonetheless, in his annual State of the Nation address in September 1984, President de la Madrid defined the role of foreign investment in these words:

"Foreign investment must continue to be viewed as a complement to domestic investment. We will ensure that the saving and entrepreneurial talent of Mexico provide the fundamental and sustaining force for investment and growth."

Regulations of entire industries with large foreign ownership continued in 1984, despite the possible adverse effect on foreign investment and trade. The automotive decree of October 1983 2/ was followed by decrees regulating the pharmaceutical industry in February and October 1984. The Government proceeded with these steps despite strong opposition from the United States and other foreign governments on behalf of their corporate investors. 3/

While the Government claims that its foreign investment policy is flexible, foreign interests view it as vague, with unclear rules. This perception of the Government's control of prices, exchange rates, and industrial operations and Mexico's recession have created a deteriorating investment climate in the country. Foreign investment inflows, which had increased through 1981, have subsequently abated.

Mexico has followed the policy of "Mexicanization"--majority control of investments by Mexican nationals--since the early 1920's, even though from time to time it made some effort to attract foreign capital into the country. 4/

1/ The daily 17-percent centavos depreciation rate, as the previous 13-centavos slide, was applicable to both the "free rate" and the "controlled rate" of the Mexican currency. Mexico's dual-exchange-rate system, featuring two different rates of exchange, had been maintained throughout the year, with parallel depreciation in both the free and the controlled rate. For a discussion of Mexico's two-tier exchange-rate system, see Operation of the U.S. Trade Agreements Program, 35th Report, 1983, p. 298.

2/ Operation of the U.S. Trade Agreements Program, 35th Report, 1983, p. 295.

3/ See "Regulation of the pharmaceutical industry," immediately following.

4/ Mexico's treatment of foreign investment is based on three laws with their respective resolutions: the 1973 Law to Regulate Foreign Investment, the 1973 Technology Transfer Law, and the 1976 Law on Inventions and Trademarks. The 1973 foreign investment law codified previously existing statutes, policies, and regulations governing foreign investment and established a National Commission on Foreign Investment (NCFI). Under this law, Mexican citizens--with very few exceptions--must retain controlling interest in foreign investment ventures. The current administration insists that there is no need to change the statute; instead, it allows the NCFI to make exceptions and to authorize certain foreign investors majority ownership.

In February 1984, Mexico's Minister of Commerce and Industry (SECOFIN) published a detailed list of industries in which majority participation of foreign partners might be authorized under specified conditions. The designated industries are predominantly in production areas such as heavy machinery, transportation equipment, electronic equipment, high technology, and chemicals and in service areas such as hotels. The selection was based on these industries' ability to bring needed technology and know-how into the country, their requirement for a large investment per employee, and their high export potential. The February guidelines also indicated that, through incentives, new investment of existing foreign ventures would be channelled into geographic priority zones, and that modernization of plant and better use of local inputs would be accorded priority treatment. The February regulations were followed in August by technical provisions that facilitate onerous administrative requirements for foreign investors.

Regulation of the pharmaceutical industry

In February 1984, the Government issued a decree regulating the foreign-dominated pharmaceutical industry and followed this with implementing regulations in October. The Government used these regulatory procedures to stave off domestic political pressures calling for the nationalization of the pharmaceutical industry.

The decree was designed to make the Mexican pharmaceutical industry more self-sufficient by increasing the contribution of Mexican-owned laboratories--especially in the manufacturing of active ingredients. 1/ Another objective of the decree was to increase the supply of low-cost drugs. In this context, it mandates generic labeling of some 500 basic retail drugs, calls for uniform pricing of generic drugs of equivalent value, and sets stringent price controls for a group of essential medicines. 2/

Some 70 active ingredients (antibiotics, fermentation derivatives, and synthetic products) are singled out for priority development, with the objective of import substitution. Domestic laboratories are given preferential financing, research and development funds, and tax and other economic incentives. Also, the domestic laboratories are to be favored in Government procurement of basic drugs.

The decree places a variety of requirements on all drug companies. They must now purchase at least 20 percent of their raw materials from domestic sources and elevate this level to 50 percent within 3 to 5 years. The companies are also urged to export a substantial share of their production and make a net contribution to the balance of payments. 3/ Enforcement of this provision is expected to give the industry a positive trade balance by 1988.

1/ Price Waterhouse, Doing Business in Mexico, 1984, p. 5.

2/ Ibid.

3/ Business Week, Apr. 30, 1984, p. 54.

The Mexican pharmaceutical industry is currently dominated by some 75 foreign companies. Foreign companies, mostly from the United States, reportedly supply 72 percent of Mexico's drug market. As a result of their major implications for Mexico's foreign trade and investment, these regulations caused a conflict between Mexico and foreign governments (e.g., the United States, West Germany, and Switzerland). Foreign corporations in Mexico complained that the new decree generally interferes with their ability to respond to market forces. For example, controlled prices provided for in the decree fail to reflect the cost of research and development that went into a product. Most important, foreign companies pointed out that the regulation discriminated against them in terms of production rights, benefits from subsidies, performance requirements, and opportunities to obtain Government contracts.

In response, the Government pointed out that many of the items in dispute will not be available from Mexican firms for some time; thus substantial purchases will still be made from multinational drug companies. In the implementing regulations issued in October, the Government removed some of the most discriminatory features of its February decree, but many contentious issues still remain. 1/

Regulation of the automotive industry

In August 1984, the Mexican Government published the implementing regulations for its most recent automotive decree, which was issued in September 1983. 2/ The new regulations strengthened some provisions of the 1983 decree and demonstrated resolve to implement the controversial measure. 3/

The implementing regulations issued in 1984 contained measures that had not yet been provided for in the 1983 decree. They include provisions regulating the domestic content of new automotive products in conjunction with minimal export requirements. For example, a new product line developed exclusively for export would face minimum local content requirements of only 0 to 29 percent. Meanwhile, another line of which less than 60 percent was intended for exports would be subject to a local content requirement as high as 50 percent. 4/

1/ On Apr. 3, 1985, the Mexican Government announced more meaningful modifications of the pharmaceutical decree, which involved easing some of its most controversial measures, including price controls and mandatory replacement of trademarks with generic labels.

2/ Operation of the U.S. Trade Agreements Program, 35th Report, 1983, p. 295.

3/ See also Operation of the U.S. Trade Agreements Program, 34th Report, 1982, p. 209. The automotive decree of 1983 was preceded by other automotive regulations aimed at developing the domestic industry and Mexico's automotive trade balance. The first Mexican automotive decree was issued in 1962 and later amended in 1972 and 1977. These regulations provided for improving the automotive trade balance by both import substitution and export promotion. The Government tried to raise the domestic content of Mexican products by forcing automakers to assemble cars locally for the Mexican market. The 1983 decree was groundbreaking in its efforts to remedy the inefficiencies of the Mexican auto industry through restricting the number of product lines for manufacturers. This decree also provided for detailed, rigorous "local content" (the ratio of Mexican "value added" to "total output") requirements through 1987.

4/ Business Latin America, Oct. 24, 1984, p. 338.

The regulations of 1984 also strive to assure the development of a local auto parts industry, including engines. They provide that by 1986 at least 50 percent of the domestic content required of a given production line must be Mexican auto parts. 1/

United States-Mexican Bilateral Trade Issues

In 1984, the United States continued to press Mexico for more open trade and investment policies, while Mexico proceeded to combine its export promotion drive with protection of domestic markets. Little progress was made toward resolving a number of contentious issues between the two countries.

Mexico is not a member of the GATT, and it does not have an equivalent bilateral accord of a broad scope with the United States. 2/ Mexican subsidies and resultant countervailing by the United States continued to be the biggest problem in bilateral relations. This matter has strained bilateral relations since 1982 and has been the principal obstacle to a comprehensive United States-Mexican trade accord. Negotiations nonetheless progressed to mutual commitments by the spring of 1984, when Mexico was ready to phase out certain subsidies and the United States was ready to apply the so-called "injury test" in making countervailing duty determinations. 3/ An injury test makes it more difficult for U.S. producers to obtain countervailing action by the U.S. Government. 4/ As a result, since 1982 the U.S. Government processed a comparatively large number of countervailing duty cases filed by U.S. companies against imports from Mexico. On December 31, 1984, 11 countervailing duty orders were in effect against Mexican products, such as steel, bricks, cement, ceramic tile, chemicals, wearing apparel, and lime. 5/

A potential source of future disputes was averted, at least temporarily, when a House version of what is now the Trade and Tariff Act of 1984 was introduced that would have amended current U.S. countervailing duty law by including national resources' subsidies within the definition of countervailable actions. This provision was stricken from the legislation during conference. The change could have affected certain 1983 decisions not

1/ Ibid.

2/ On Apr. 23, 1985, when the United States and Mexico signed an agreement on subsidies and countervailing, they also announced to shortly begin to negotiate a general commercial agreement. Such an agreement could cover issues such as tariff and nontariff barriers to mutual trade and investments and the establishment of regular consultation proceedings.

3/ The signing of a subsidies' agreement was, however, held up at the time until it was signed on Apr. 23, 1985.

4/ Because Mexico was not a signatory of the GATT Subsidies code, until the April 1985 signing of a subsidies' agreement, its products had not been entitled to an injury test under U.S. countervailing duty law. A determination by the Department of Commerce that subsidies were applied to Mexican exports resulted automatically in the imposition of countervailing duties; such action was not tied to demonstrated injury of a U.S. industry as required under the subsidies code.

5/ See table A-8.

to levy countervailing duties on imports of ammonia, cement, and carbon black from Mexico. 1/ These cases were based on claims of U.S. producers that, due to natural resources' subsidies, Mexican natural gas, heavy fuel oil, and petroleum feedstock are much cheaper than the same materials produced in the United States. Since these inputs account for a high proportion of the value of ammonia, cement, and carbon black, such imports from Mexico may cause injury to the domestic suppliers of the U.S. market. 2/ After prolonged debate, however, U.S. legislators voted to delete the proposed measure. Meanwhile, some adversely affected U.S. producers reportedly continue to seek remedial action.

On the positive side, officials and academics of the two countries met in August 1984 to discuss Mexico's industrial policy in the context of possible cooperation, especially in the areas of steel, automotive production, petrochemicals, and electronics. The U.S. Government also continued to assist Mexico with trade preferences under the GSP program and trade-related credit guarantees. However, credits and credit guarantees provided by the Commodity Credit Corporation for Mexican purchases of feedgrains, oilseeds, and other farm products were significantly down in fiscal year 1984 as a result of falling imports from Mexico. 3/ For financing nonagricultural U.S. exports in Mexico, a \$500 million open-ended EXIMBANK credit line went into effect during the year under review.

Restraints on Mexican steel exports

Mexico is one of seven countries with which the United States negotiated a voluntary restraint agreement in December 1984 limiting its steel shipments to the U.S. market for a 5-year period, beginning October 1984. 4/ Mexico agreed to restrict exports of finished steel to no more than 0.36 percent of apparent U.S. consumption during this period. Steel products manufactured in Mexico's in-bond plants (maquiladoras) remain outside the scope of restrictions. In exchange, the United States made a commitment to seek the termination of unfair trade investigations on steel items subject to the agreement. 5/

The contraction of the domestic market after the Mexican debt crisis caused Mexican steel producers to unload their output on foreign markets, especially in the United States. The surge of steel imports from Mexico in 1983 prompted U.S. producers to file unfair trade complaints on a variety of

1/ The law would not have "reversed" these decisions but would have called into question the outcome of cases filed after the enactment of the law.

2/ In its 1983 subsidy determinations, the Department of Commerce found that the low Mexican prices of natural resources should not be considered subsidies. The House bill for the 1984 trade legislation (with support from the Senate) disagreed, considering that a significant part of production cost was accounted for by these resources.

3/ See "Merchandise trade with the United States" earlier in this sec.

4/ On Sept. 18, 1984, the President outlined his policy to deal with unfair trade in steel by seeking negotiated agreements with major suppliers within a 90-day period. See also "The Steel Import Program" in chap. I.

5/ The accord was signed on Feb. 27, 1985.

steel products. In 1984, steel imports from Mexico decreased from their 1983 level. In April, the Mexican Government unilaterally restrained exports to the United States in response to U.S. charges of unfair trade practices. Nonetheless, the steel conflict between the two countries was not resolved until the VRA was attained in December.

Transborder trucking

In October 1984, President Reagan signed the Motor Carrier Safety Act of 1984, which makes it more difficult and expensive for Mexican trucks to operate in the United States beyond the border region. The dispute between the two countries on transborder trucking began in 1981, when the United States expressed concern about the lack of reciprocal treatment of U.S. truckers in Mexico. With minor exceptions, Mexico does not allow U.S. truckers within its territory. The first U.S. restrictions of Mexican trucks operating in the United States became effective in September 1982, followed by new measures in 1983. These stipulated that Mexican public carriers needed special permits to show compliance with U.S. insurance and safety requirements. 1/

The 1984 legislation is a response to Mexico's failure to improve the balance of trucking operations. It requires that Mexican truckers obtain special certificates of operation from the U.S. Interstate Commerce Commission when crossing the border. To get such a permit, operators must prove that their trucks are insured, meet all U.S. safety standards, and are up-to-date in Federal highway use tax payments. The new provisions also extend restrictions that previously had applied only to public carriers to private carriers and to most types of cargo that were heretofore exempt. The regulations place major limitations on the type of cargo that "for-hire" trucks--trucks that carry goods not owned by their operator--may transport. Maquiladora plants in the border area claim to be affected by these provisions since they rely heavily on for-hire trucks.

TAIWAN

The Economic Situation in 1984

Assisted largely by a strong recovery in the United States, Taiwan's economy performed very well in 1983 and continued to do so in 1984. A 23-percent increase in exports, mostly to the United States, led the economy to a 10.3 percent growth in 1984. Per capita income increased from \$2,682 in 1983 to almost \$3,000 in 1984. Unemployment was less than 3 percent.

Despite high growth, Taiwan had surprisingly low investment levels. Fixed investment expanded only 4 percent in the first half of 1984, following a slow period in 1983. Foreign investments did slightly better, increasing 7 percent from January to August in 1984. About 43 percent of these investments were in electronics and electrical product ventures. 2/

1/ See also Operation of the U.S. Trade Agreements Program, 34th Report, 1982, p. 210.

2/ Far Eastern Economic Review Ltd., "Taiwan," Asia Yearbook 1985, p. 254.

Taiwan continued to maintain a healthy balance of payments position in 1984. The current account surplus grew rapidly after 1982 from \$2.2 billion to \$4.5 billion in 1983. By the end of 1984, the current account surplus was about \$7.8 billion. Foreign currency reserves were \$16.4 billion. The mounting surplus strengthened the balance of payments position, but the large reserves also contributed to inflationary pressures. Consumer prices, which rose by less than 1 percent in 1983, increased by about 3 percent in 1984. To help ease inflation, Taiwan authorities proposed to reduce foreign exchange holdings by increasing imports and reducing capital inflows. By the end of 1984, little had been done to increase imports, but efforts were taken to control the inflow of capital.

In early 1984, the Central Bank of Taiwan persuaded public and private enterprises to borrow New Taiwan (NT) dollars from domestic sources rather than using foreign loans to finance imports and investments. Domestic borrowing was also encouraged for early repayment of outstanding foreign currency loans. These and other efforts resulted in a decline in the outstanding public external debt from \$7.1 billion in 1983 to \$6.7 billion by mid-1984.

U.S. banks were adversely affected by the policy changes, although they were not the specific target of Central Bank policies. Japanese and West European banks were able to capture a larger share of Taiwan's domestic financial market because high U.S. interest rates discouraged many short-term borrowers. The U.S. share of Taiwan's financial market dropped from 32.6 percent in 1982 to 10.7 percent in 1983. U.S. commercial and Government loans totaled only \$0.19 billion in 1983, a 68.8-percent decrease from 1982. In the first half of 1984, long term loans from U.S. sources totaled only \$0.07 billion.

Merchandise Trade with the United States

Table 19 shows that two-way trade between Taiwan and the United States totaled \$19.4 billion in 1984, up from \$15.5 billion in 1983. Taiwan is the United States' sixth largest trading partner, but the United States is Taiwan's largest two-way trading partner. Taiwan's exports to the United States have risen steadily since 1981 and are likely to continue to do so. This is partly because the U.S. market is relatively open to Taiwan imports while other markets (e.g., Europe) are less accessible. In addition, the economic recovery has been strong in the United States but sluggish in other markets. 1/ Taiwan has attempted to reduce its dependence on U.S. markets by developing other markets but has not been wholly successful. The continuing appreciation of the NT dollar vis-à-vis European currencies makes Taiwan-made goods less competitive in non-U.S. markets and constrains attempts to diversify Taiwan's export markets. 2/ Taiwan's other major markets are the European Community, Japan, the Association of Southeast Asian Nations (ASEAN), and Hong Kong.

1/ American Institute in Taiwan, cable A-002, Jan. 10, 1985, p. 16.

2/ The EC accounted for 9 percent of Taiwan's exports and supplied 8.7 percent of its imports in 1984. Japan took 10.5 percent of Taiwan's exports and supplied 29.3 percent of its imports. (Data supplied by the Coordination Council for North American Affairs).

Exports from Taiwan to the United States, as a percentage of total exports, increased from 39.8 percent in 1982 to 45 percent in 1983. The United States took nearly half (48.8 percent) of Taiwan's exports in 1984 and supplied 23 percent of its imports. Major products imported into the United States during the year included footwear, office machinery, apparel, and consumer electronics. Over 60 percent of Taiwan's shipments of items such as electronics, footwear, and sporting goods went to the United States.

Tables B-9 and B-10 show the leading export and import items in U.S. trade with Taiwan in 1984. Most of Taiwan's imports are energy, raw materials, industrial intermediates, and capital goods. (These commodities accounted for almost 93 percent of all imports in 1983. Consumer goods, which face trade barriers such as de facto bans and tariffs ranging from 50 to 100 percent, accounted for less than 8 percent of total imports in 1983.) Agricultural commodities, comprising about 30 percent of all products bought from the United States, and raw materials dominated Taiwan's imports from the United States in 1984. Major items were corn, soybeans, cotton, wheat, hides, and timber. Imports of raw materials from the United States maintained a strong position, with coal imports increasing 28 percent after dropping in 1983. (In 1983, Taiwan's successful energy conservation program and increased reliance on nuclear power resulted in a decline in its demand for coal.) Other major U.S. exports to Taiwan included machinery and transportation equipment, and chemicals.

Major Policy Developments Affecting Trade

Restrictions on grain imports

In January 1984, the Taiwan Board of Foreign Trade (BOFT) placed several restrictions on grain imports, including (1) a temporary ban on imports of rye, oats, buckwheat, and lupines, (2) a reduction in the maximum allowable import quantities for corn, soybeans, wheat, barley, and sorghum from 6.6 million metric tons (MT) in 1983 to 6.4 million MT in 1984; and (3) an increase in the surcharge on all grain imports. (This surcharge is separate from import tariffs and is used to subsidize local grain production and finance agricultural R&D.) In addition, BOFT stopped banks from issuing import permits for unmilled rye, unmilled oats, unmilled buckwheat, and lupines until further notice.

In 1984, Taiwan also began offering incentives to farmers to diversify from rice production to corn and grain sorghum. U.S. sales of these products, which accounted for 9 percent of total U.S. exports to Taiwan, are likely to decline as the program accelerates. 1/

Free trade zones postponed

Since the early 1980's, Taiwan authorities considered establishing free trade zones in Taiwan, but the plans were indefinitely postponed in October 1984. The project was originally outlined in a study by the Bechtel Corporation. It proposed a network of areas that would offer facilities for

1/ U.S. Department of Commerce, Business America, Mar. 4, 1985, p.31.

warehousing, transshipment, manufacturing, and communications. In announcing the indefinite postponement, the Council for Economic Planning and Development cited political and security considerations as major hindrances to setting up the zones. The council has recommended instead that restrictions on foreign exchange settlements and tariff rates at the three existing export processing zones be liberalized. To stimulate development of the export processing zones, the minimum capital investment requirement was raised from NT\$6 million to NT\$30 million. 1/ Those export industries permitted in the zones include precision machinery and instruments, electric and electronic products, optical and photographic equipment, chemicals, metal products, and certain consumer items. 2/

Trade liberalization

Concerned that the growing trade surplus could become an obstacle to future development, Taiwan announced in early 1984 that it would begin liberalizing its trade regime for industrial products. Plans called for lowering tariff and nontariff barriers, improving access to the local market by foreign investors, and gradual removal of local content and export performance requirements. Although details of the relaxed restrictions are not available, export and local content requirements--major barriers--are still in place and unlikely to be removed in the near future.

Although de facto bans are still in force for a number of items to protect domestic industries, BOFT removed or liberalized restrictions on many items in late 1983 and early 1984. BOFT also considered a proposal to expand the list of items not requiring import licenses from 2,950 items to over 8,000 items, or about one-third of all categories included in BOFT's commodity classification. The changes would be implemented over a period of years, so their effect would not be immediate.

High tariffs remain a major trade barrier, but some progress was made when tariffs were reduced on about 1,000 items (mostly wood, paper, leather and electronic products). These tariff reductions were scheduled to go into effect in early 1985.

Authorities in Taiwan also plan to reduce the maximum import tariff rate from the current 100 percent or more to 80 percent in 1985, eventually lowering it to 65 percent within the next 5 years. The 10 percent import valuation uplift is scheduled for elimination in late 1985.

Anti-counterfeiting measures

Increased publicity in 1984 about Taiwan as a major producer of counterfeit goods sparked activity by authorities intent on improving the nation's international image. Approval by the Executive Yuan of new copyright legislation is expected in 1985, marking the most significant step in anti-counterfeiting activities since the trademark law passed in 1983. The proposed legislation would reportedly increase the number of items eligible for protection, including computer software, sound tracks, lectures, musical instruments, artistic performances, and scientific and engineering designs.

1/ Taiwan Economic News, Feb. 1985, p. 4.

2/ Ibid.

However, it would provide protection for foreigners only and would not provide exclusive translation rights for foreign authors. New unfair competition and patent laws are also reportedly under consideration by the Ministry of Economic Affairs.

The new legislation would call for stiffer penalties for offenders and will supposedly give unregistered foreign firms in Taiwan access to Taiwan courts. To further discourage violators, Taiwan now requires verification of permission to use a foreign trademark or brand. Although some observers have argued otherwise, Taiwan authorities assert that their efforts to interdict counterfeiters have been effective and public attitude toward counterfeiting is changing as local producers begin to recognize the importance of establishing their own brands abroad.

The recent signing of the U.S. Trade and Tariff Act of 1984 provides further incentive for Taiwan to pursue protection of intellectual property rights. Section 502 of the act provides that the President take into account, when determining GSP eligibility and benefit levels, the extent to which the country is providing adequate and effective means under its laws for foreign nationals to secure exclusive rights in intellectual property, including patents, trademarks, and copyrights. 1/

Taiwan-Toyota joint venture canceled

After years of talks, plans for a joint venture with Toyota Motor Co. of Japan fell through. Taiwan wanted to use the project as a means to enter the world auto market and planned to invest \$530 million in 1984 into the venture. About 300,000 units were scheduled to be produced annually, beginning in 1986. Despite numerous attempts at a compromise, negotiators from both sides were unable to surmount two difficult issues: the plant's export ratio, and the cars' local content proportion. Taiwan authorities asked that half of the targeted production be exported and 90 percent of car parts be procured locally. 2/

United States-Taiwan Bilateral Trade Issues

U.S. trade deficit with Taiwan

The perennial U.S. deficit with Taiwan continued to strain commercial relations between the two trading partners in 1984. 3/ The United States has registered a trade deficit with Taiwan since 1967, but the imbalance has increased dramatically in the past few years and has become a serious U.S. bilateral trade problem. The U.S. deficit increased from \$6.9 billion in 1983 to over \$10 billion in 1984.

1/ Also see "GSP renewal" in Chap. I and in the Korea sec.

2/"Toyota-Taiwan joint venture plan scrapped," The Oriental Economist, October 1984, pp. 14-15.

3/ When the United States normalized relations with China in 1979, all official trade relations with Taiwan were broken off. However, the United States-Taiwan relationship continues through quasi-diplomatic means. For details on the framework for conducting United States-Taiwan trade relations, see Operation of the Trade Agreements Program, 35th Report, 1983, p. 315.

The imbalance has resulted primarily from Taiwan's relatively closed market. Taiwan authorities are concerned that continued large deficits with the United States will harm bilateral trade relations and affect its GSP status. The new GSP legislation authorizes the President to restrict GSP benefits to those countries that either do not sufficiently open their markets to U.S. products or do not provide adequate protection for intellectual property rights. Taiwan accounted for 24.8 percent of all U.S. GSP imports in 1984. Taiwan authorities wish to maintain their GSP benefits, but large trade surpluses with the United States and the many complaints about Taiwan as a source of product counterfeiting are cause for concern.

In 1984, Taiwan took steps towards narrowing the trade gap. For example, tariff reductions (effective January 1985) on 59 categories of U.S. products (about 1,000 items) were announced. The reduction in import duties is intended to cut the average tariff from 31 percent to 26 percent. The 10 percent import valuation surcharge was reduced to 5 percent in early 1985 and is scheduled for elimination by yearend 1985.

Although the tariff liberalization will have little immediate impact for U.S. exporters, this and other liberalizations could lead to a substantial increase in future U.S. sales to Taiwan. The lower duty rates range from 15 to 30 percent on products such as semiprocessed leather goods, wood products, and chocolate confectionary. The duty cutbacks could also provide better opportunities for U.S. exporters to ship cosmetics, synthetic fiber rugs, photographic film, glass products, and computer products. These items were originally not scheduled for liberalization until January 1987. Despite the liberalizations, however, substantial tariff and nontariff barriers to trade and services remain a major bilateral trade concern of the United States.

In further response to the need for improved United States-Taiwan trade relations, Taiwan formed a ministerial ad hoc committee in January 1984 to provide guidelines for future trade policy. The committee made several recommendations aimed directly at core issues that have contributed to the trade imbalance with the United States, and focused on some of the tariff and nontariff barriers about which the United States has been long concerned. The committee called for (1) elimination of export requirements for American investments in Taiwan, (2) active promotion of an import liberalization program that aims at fewer import restrictions and lower duties on consumer goods and relaxation of current restrictions that apply to trade in services, (3) helping American firms promote sales in Taiwan, (4) a campaign urging domestic firms to purchase American equipment rather than leasing it, and (5) diversification of Taiwan's export markets and export items. Discussions between the United States and Taiwan authorities on ways to decrease the U.S. trade deficit with Taiwan are continuing.

Performance requirements

Performance requirements for foreign investments are tied to Taiwan's policy objectives of promoting exports, self-sufficiency, and technological development. Specific requirements, such as targets for export sales, local content requirements (specifying a certain percentage of the final product's value that must be made in Taiwan), production capacity, and product specifications, are set for investments which are eligible for incentives and/or repatriation of earnings. The United States Government has objected to performance requirements because they encourage exports beyond what would occur under free market forces.

Local content requirements in Taiwan apply to a variety of products including automobiles, televisions, motorcycles, bicycles, telephone equipment and certain machine tools. The required local content varies by product and ranges from 50 to 100 percent. Local content requirements for new investment are limited to four product groups: video tape recorders (55 percent), automobiles (70 percent), trucks (30-35 percent), and color televisions (70 percent). 1/

According to the American Institute in Taiwan, there are no published requirements for export performance, except in export-processing zones where 100 percent of production must be exported. In actual practice, however, a 50 percent export performance requirement is applied generally to all foreign investment and negotiated downward on a case-by-case basis. Taiwan authorities announced in early 1984 that foreign companies would no longer be held strictly to export requirements, yet investors in some targeted industries would still face the restrictions. Export requirements for automobiles, for example, will still be strictly enforced, while in other industries the export quota will be more flexibly applied.

Barriers to market access

The United States remained concerned about the considerable tariff and nontariff barriers to markets in Taiwan. The tariff reductions on a number of items in 1984 were helpful, but the rates remained high--generally about 60 percent. Imports with particularly high tariffs included machinery, word processors, home and kitchen articles, and processed food products. De facto import bans were used regularly and implemented through administrative orders or by denying an import license for an item. U.S. products subjected to import bans included frozen chicken, peanuts, pears, soda ash, and certain chemicals and industrial products. Barriers in the service sector were also a major source of contention with the United States in 1984. A number of constraints continue to exist on the activities of foreign banks, insurance companies, and participants in joint ventures. Nontariff barriers effectively blocked imports of alcoholic beverages and pharmaceuticals and other health-related products.

REPUBLIC OF KOREA

The Economic Situation in 1984

Korea's carefully managed economy grew 7.6 percent in real terms in 1984, compared with a growth of 9.5 percent in 1983. According to the Bank of Korea, mining and manufacturing were the leading sectors, with an annual growth rate of 14.4 percent, while construction, agriculture, fisheries and forestry performed poorly relative to previous years. 2/

1/ United States International Trade Commission, Foreign Industrial Targeting, Phase III: Brazil, Canada, The Republic of Korea, Mexico, and Taiwan, USITC Publication 1632, 1985, p. 241.

2/ "Korea's economy grows," Korea Herald, Mar. 24, 1985, p. 1.

Korea's growth was fueled by a strong, demand-driven U.S. economy that drew in Korean exports and by a rapid increase in private domestic consumption. In the past, exports were the chief vehicle for growth; however, since 1983, the domestic market has played an increasingly important role. 1/ In 1984, real per capita GNP was \$1,998, compared with \$1,884 in 1983. Domestic sales rose rapidly on such consumer durables as automobiles, refrigerators, washing machines, and microwave ovens.

Korea is the largest borrower in Asia and the fourth largest borrower in the world after Mexico, Brazil, and Argentina. By yearend 1984, Korea's sovereign debt was \$43 billion, up from \$40.1 billion in 1983. The debt-service ratio was unchanged at 15.4 percent, but is expected to fall to 15 percent by 1986. Compared to other heavily indebted nations, Korea's situation is exceptional in that it maintains an excellent credit rating. Korea's economy, characterized by carefully controlled monetary and fiscal policy, is also relatively more balanced and is able to switch into new areas of industrial exports to pay its bills, rather than depending on a few raw material exports that are vulnerable to fluctuating demand and prices. 2/

Korea's current account deficit was \$1.36 billion in 1984, compared with \$1.6 billion in 1983. On a balance-of-payments basis, total 1984 exports increased to \$29 billion from \$24 billion in 1983. Total imports rose to \$30.6 billion from \$26 billion. 3/ According to Bank of Korea officials, services and transfer account activity turned into a deficit of \$273 million in 1984 from a surplus of \$157 million the previous year.

Merchandise Trade With the United States

As in previous years, textiles were Korea's most important worldwide export, accounting for about 23 percent of total Korean exports on an f.o.b. basis in 1984. 4/ Ships (16 percent of total exports) were the second largest export item, followed by iron and steel products (11.9 percent) and electronic and electrical products (11 percent). Crude oil was the largest single import (about 19 percent of total imports on a c.i.f. basis), followed by electrical machinery and electronics (10.4 percent). Korea's imports of grains, soybeans, raw cotton, and raw skins and hides, all of which came mainly from the United States, were also up in 1984.

The United States and Japan remained Korea's largest trading partners, accounting for nearly 50 percent of Korea's total trade with the world. Japan regained its position from the United States as the largest exporter to Korea (which it held prior to 1982), but the United States remained the largest market for Korean goods. Over one-third (about 37 percent) of total Korean exports in 1984 went to the United States. Table 20 shows U.S. trade with Korea from 1982 to 1984. The U.S. 1984 trade deficit with South Korea was a record high \$3.5 billion, compared with \$1.5 billion in 1983.

1/ Far Eastern Economic Review, Ltd., "South Korea", Asia Yearbook 1985, p. 180.

2/ Paul Ensor, "Sovereign debt debate," Far Eastern Economic Review, Jan. 24, 1985, pp. 62-63.

3/ Government of Republic of Korea, Office of Customs Administration.

4/ Source for Korean trade data is Government of the Republic of Korea, Office of Customs Administration.

Table 20.--U.S. trade with Korea, by SITC 1/ Numbers (Revision 2), 1982-84

(In thousands of dollars)

SITC number	Description	1982	1983	1984
			U.S. exports	
0	Food and live animals-----	818,745	1,017,674	702,258
1	Beverages and tobacco-----	7,125	3,827	1,786
2	Crude materials--inedible, except fuel-----	1,213,403	1,297,115	1,484,797
3	Mineral fuels, lubricants, etc-----	410,474	246,599	271,810
4	Oils and fats--animal and vegetable-----	33,947	39,275	47,794
5	Chemicals-----	669,344	804,164	1,024,353
6	Manufactured goods classified by chief material-----			
	:			
7	Machinery and transportation equipment-----	303,855	307,453	336,739
8	Miscellaneous manufactured articles-----	1,629,119	1,736,009	1,610,669
9	Commodities and transactions not elsewhere classified-----	210,791	206,110	264,134
	:			
	:	21,335	26,378	41,626
	:	5,318,136	5,684,605	5,785,966
			U.S. imports	
0	Food and live animals-----	93,174	112,393	119,550
1	Beverages and tobacco-----	27,124	49,804	19,561
2	Crude materials--inedible, except fuel-----	14,167	8,825	8,781
3	Mineral fuels, lubricants, etc-----	44,701	4,024	4,885
4	Oils and fats--animal and vegetable-----	302	221	87
5	Chemicals-----	51,573	57,269	78,437
6	Manufactured goods classified by chief material-----			
	:			
7	Machinery and transportation equipment-----	1,213,897	1,442,092	1,919,648
8	Miscellaneous manufactured articles-----	1,267,058	2,100,644	2,712,981
9	Commodities and transactions not elsewhere classified-----	2,885,164	3,354,713	4,382,599
	:			
	:	34,260	50,843	48,520
	:	5,631,419	7,180,827	9,295,050
<u>I/ Standard International Trade Classification.</u>				

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

Note.--Because of rounding, figures may not add to the totals shown.

Although U.S. trade with Korea had been approximately balanced until recent years, U.S. sales to Korea have generally been bulk commodities and raw materials while Korea has sold finished products to the United States. This is partly a consequence of the relatively limited access to Korea's markets for finished products and has contributed to the steadily rising deficits for the United States. Major exports from the United States to Korea in 1984 were agricultural (i.e., corn, wheat, cattle hides, and soybeans). 1/ Machinery and transportation equipment were also leading items. The performance of major U.S. exports was mixed in 1984. Agricultural products decreased about \$190 million from 1983 values; power-generation equipment was down \$100 million; and telecommunications equipment dropped by \$70 million. However, chemicals increased by \$200 million; hides and skins increased by \$80 million; and scientific instruments increased by \$40 million. 2/ Leading imports to the United States from Korea included integrated circuits, apparel, and footwear.

Major Policy Developments Affecting Trade

Tariff reforms

Korea continued its relatively slow progress toward liberalization of its economy in 1984. 3/ In January 1984, the Government began a 5-year tariff reform and reduction program aimed at reducing its tariff rate structure from the average rate of 23.7 percent in 1983 to a targeted rate of 18.1 percent by 1988. As a first step, tariffs were reduced on 734 items (31.8 percent of tariff items) and raised on 300 items in 1984. This resulted in a lowering of the average tariff rate for manufactured goods from 22.6 percent in 1983 to 20.6 percent in 1984.

Korea also maintains a flexible tariff system to cope with short-term fluctuations in the economic situation. The following changes were made in components of the flexible tariff system in 1984:

Tariff quota

The tariff quota allows a temporary reduction of tariff rates (up to 40 percent) on certain imported goods in order to meet any surges in demand and to stabilize domestic prices. The number of items subject to this system was reduced to 7 on July 1, 1984, from 30 in July of the previous year.

Emergency tariff

The emergency tariff is temporarily applied to discourage "unnecessary" imports of certain luxury goods or to protect local industry when there is a surge of imported goods. In 1983, 104 items were subject to this duty. It was reduced to 38 in January 1984, and a further reduction to 10 items was made in July.

1/ See tables B-11 and B-12.

2/ U.S. Department of Commerce, Business America, Mar. 4, 1985, p.30.

3/ See also "United States-Korean bilateral trade issues" below.

Adjustment tariff

The adjustment tariff was introduced on January 1, 1984, to adjust tariff rates as necessary, in order to protect domestic industries from sudden sharp increases in newly freed imports resulting from import-licensing liberalization. Adjustment tariffs may be applied within 3 years of an item's import liberalization date. These tariffs differ from emergency tariffs in that they can only be imposed on products that are newly liberalized. Adjustment tariffs can be increased to a maximum of 100 percent for a period of 6 months to a maximum of 3 years. Adjustment duties were imposed on 14 items on July 1, 1984.

Import liberalization

Import liberalization continued to proceed gradually in Korea during 1984. Import licenses are required for all goods but are issued automatically for "automatic approval" items, subject to some general limits. Over 300 products were removed from the import-restricted list at midyear, raising the level of import liberalization from 80.3 percent in 1983 to 84.8 percent in 1984 (i.e., in 1984, 84.8 percent of the customs items, by eight-digit CCCN numbers, were removed from the list of restricted imports). However, certain newly liberalized items remain subject to "surveillance" and may be returned to the restricted list if imports increase drastically. A number of automatic approval items are also subject to particular approval procedures under special laws, such as the Pharmaceuticals law or other laws dealing with quantitative restrictions or national security.

The wide range of products removed from the restricted list in 1984 included liquid soaps, illuminating glassware, brass rods and wire, certain copper-clad laminated sheet, razor blades, certain lamps and lighting fixtures, certain locks for automobiles, air conditioners, electricity meters, and speedometers.

However, Korea's ability to increase tariffs on an ad hoc basis under its flexible tariff system results in a high degree of uncertainty and lack of clarity in the tariff regime. This sometimes undercuts the import liberalization process. For example, the Korean Government simultaneously announced higher tariffs as it liberalized many items. Rates of 15 to 60 percent were levied on table and kitchen glassware and copper waste and scrap. Tariffs ranging from 50 to 70 percent were levied on cosmetic soaps, machine-made carpets, and certain fibers. Other domestic goods were also given additional protection, including furs and skins, industrial and laboratory ovens, electric cables, and certain watch parts.

Investment liberalization

During the year, several laws and administrative procedures were revised to liberalize the investment sector and increase foreign investment. The revised Foreign Capital Inducement Law (FCIL), effective July 1, 1984, was the first major revision of Korea's investment laws in more than a decade and marked a considerable liberalization in its foreign investment regime. ^{1/} The

^{1/} For a detailed discussion of Korea's foreign investment procedures, see U.S. International Trade Commission, Foreign Industrial Targeting and its Effects on U.S. Industries, Phase III: Brazil, Canada, The Republic of Korea, Mexico, and Taiwan, USITC Publication 1632, January 1985, pp. 135-139.

revised FCIL and its implementing regulations introduced an automatic approval system for foreign investment projects that were not on the prohibited list and met the following criteria: 1/

- (1) Foreign ownership is less than 50 percent. However, in cases where the ratio of exports to domestic production is above 60 percent, or where the importation of the same kind of products is liberalized and the tariff rates of those are below 10 percent, automatic approval is possible even if the foreign ownership ratio is above 50 percent.
- (2) The foreign investment amount is below US\$1 million.
- (3) No request is made to receive tax exemption.
- (4) The foreign investment project is neither a prohibited nor a restricted project on the Negative List.

The United States was the biggest foreign investor in Korea in 1984, accounting for \$191 million in approved projects, or nearly one-half of the total foreign investment of \$419 million for the year. 2/ Despite the 257-percent increase in U.S. investments this represents over 1983, substantial barriers to foreign investment continue. A number of industries remain cut off from foreign investment because all investments of any significance are likely to be more than US\$1 million; the automatic approval system really does not affect such investment.

Copyright law revision

The Korean cabinet approved proposed changes to the copyright laws designed to increase protection of intellectual property rights. 3/ Under the proposal, works by foreigners with permanent residence in Korea and works originally published in Korea will be preferentially protected. The proposed revisions will also grant domestic publishers, musicians, and record companies a "quasi-copyright," providing them with exclusive rights to their publications and performances. It also will extend the period of eligibility for publication, photograph, and film copyrights to 50 years from the current 10 to 30 years. Before implementation, the proposal must be passed by the National Assembly.

1/ Government of Republic of Korea, Ministry of Finance, Investment Guide to Korea, Seoul, July 1984, p. 27. See also Ibid., pp.135-147.

2/ "U.S. was no. 1 investor in South Korea in 1984," Asian Wall Street Journal, Feb. 11, 1985, p.4.

3/ Source for this information is the International Trade Alert, Aug. 7, 1984.

United States-Korean Bilateral Trade Issues

Korea and the United States were increasingly involved in trade disputes during 1984. Lack of understanding on both sides appeared to be at the heart of most of the disagreements. Since the United States is Korea's largest market, Korea is concerned about what it considers to be growing protectionism. The Korean Government has argued that a flurry of protectionist activity in the United States, particularly an increasing number of countervailing duty and antidumping investigations, constitutes a form of harassment and a considerable barrier to trade. ^{1/} An increasing number of countervailing duty and antidumping investigations were initiated against Korean products, particularly steel, and color televisions. The U.S. Government position is that its laws are not protectionist but provide a means for addressing unfairly traded goods. The initiation of antidumping and countervailing actions are legal within the GATT, and domestic producers cannot be denied due recourse if they feel they have cause for action. During the year, countervailing and antidumping restraints were placed on such Korean products as color TV sets, steel products, and bicycle tires and tubes as a result of U.S. administrative actions.

In the United States, some confusion has resulted from the term "import liberalization." Koreans use the term to refer to eliminating nontariff barriers, while Americans interpret it to mean removal of nontariff and tariff barriers. The Korean practice is to open up its tightly controlled market gradually, removing many items from the import-restricted list as it simultaneously raises tariffs on the most sensitive of these items. This effectively provides tariff protection because imports of many of the newly liberalized items remain prohibitively high. The tariff barriers are then slowly reduced towards levels targeted over a period of several years. It is a slow and complex process and the result is that although relatively significant progress is made in opening the market, it is neither as much nor as fast as outside observers expect from the much-touted liberalization ratios. ^{2/}

While the United States concedes that Korea is making progress in opening up its economy, it views the complexity and lack of transparency in the Korean trade regime as continuing to constitute a considerable trade barrier. The United States is concerned that new nontariff barriers often spring up to replace the old ones. For example, when the import ban was lifted on cosmetics, it was done with the proviso that only Korean cosmetics manufacturers could import foreign cosmetics--an unlikely event since the imports would compete with their own products. ^{3/} Another major concern of the United States was improving access to the Korean market, particularly for computers, chocolate, and cigarettes.

^{1/} Paul Ensor, "An emotional divide," Far Eastern Economic Review, Apr. 19, 1984, pp. 58 and 59; and Stuart Auerbach, "South Korea asks lid on trade complaints," The Washington Post, Mar. 8, 1984.

^{2/} U.S. Embassy, Seoul, "Economic Trends Report," April 1984.

^{3/} Paul Ensor, op. cit.

GSP renewal

A major concern of the Korean Government in 1984 was maintaining its status under the U.S. GSP program which was scheduled for renewal in 1985. The program was subject to much debate during the year and there was some sentiment in Congress which leaned toward terminating GSP entirely, eliminating the newly industrializing countries, or at least graduating the top three NIC beneficiaries: Taiwan, Hong Kong, and Korea. 1/

GSP was extended through July 4, 1993, and, while not completely excluding Korea or any other NIC, it does provide criteria for the differentiation among beneficiaries according to their need for special treatment. GSP benefits will be phased out over a 2-year period for the more affluent countries, following a determination that their per capita GNP exceeds \$8,500. The new program directs the President to consider the beneficiary country's overall trade relations with the United States when determining GSP eligibility and product-specific benefit levels. Specifically, the President is required to consider the extent to which a beneficiary country:

- (1) provides reasonable access to its markets and refrains from unreasonable export practices;
- (2) provides adequate protection of U.S. intellectual property rights (e.g. patents, copyrights and trademarks);
- (3) reduces trade-distorting investment practices and barriers to trade and services; and
- (4) honors internationally recognized workers' rights.

Color televisions 2/

One of the biggest bilateral trade disputes of the year involved Korea's exports of color televisions to the United States. The dispute began in October 1983, when the U.S. International Trade Commission ruled that imports of Korean color televisions materially injured the U.S. domestic industry. (After an orderly marketing agreement with Korea expired in mid-1982, Korean color television exports to the United States increased from 630,000 units per year to 1.93 million units per year by the end of 1983.) The Department of Commerce determined that three Korean manufacturers were dumping their exports through high domestic prices and assessed a preliminary average antidumping duty of 3.15 percent. That duty was later raised to an average 14.6 percent in the February 25, 1984, final determination. The U.S. Department of

1/ USITC, "New graduation rules in the revised GSP," International Economic Review, January 1985; and "GSP review" section in chap. V.

2/ Information in this section is based on "The Color TV Case," Business Korea, October 1984, pp 12-13.

Commerce performed an expedited review of the February ruling and on September 9, made a preliminary determination that found dumping margins considerably higher than the original: 20.8 percent for Goldstar, 25.09 percent for Daewoo, and 52.5 percent for Samsung. A strong reaction from the Korean Government and Korean press first labeled the finding another example of U.S. "protectionism." However, one reason the preliminary margins were so high was that the Korean firms reportedly did not adequately defend the glaring price differences between sets sold domestically and abroad. For example, a model selling in the United States in 1983 for \$158.90 reportedly sold in Korea for \$306.90.

Interested parties were given the opportunity to formally comment on the preliminary results. After receipt of the comments, Commerce extended the deadline for a final decision from October 31 to December. As a result of further verification of certain claims made by the Korean manufacturers, the final December 28 results were significantly different from those in the September preliminary results. Commerce revised the dumping margins downward for all three companies and the antidumping duties now in effect reflect these margins: Gold Star, 7.47 percent; Samsung, 12.23 percent; and Daewoo, 14.88 percent.

Radial ply tires

The Korean Government decided to extend its voluntary restraint on exports of radial ply tires to the United States in 1984. Prior to this, the Korean Government agreed to voluntarily restrain its tire exports to the United States (for the period of October 1, 1983, through September 30, 1984) in an effort to avert antidumping action after its exports surged. Moreover, the Korean Government agreed to persuade its tire exporters to raise the price of their products by 3 to 5 percent. U.S. rubber tire manufacturers subsequently dropped plans for filing antidumping petitions.

In July 1984, however, a U.S. manufacturer did file an antidumping petition. The Korean Government, again hopeful of staving off the action, decided to extend the voluntary restraint for the period of October 1, 1984, through September 30, 1985, at the same level of 3.8 million.

BRAZIL

The Economic Situation in 1984

Brazil, the biggest debtor in the world, was forced to continue its austerity regime in 1984. This was the second year of a 3-year adjustment program the IMF imposed on Brazil as a condition for financial support. During the year, Brazil was able to move out of economic recession at the cost of being intermittently out of compliance with its commitments to the IMF. ^{1/} Brazil's GDP expanded by 4.1 percent, with agriculture growing fastest at 8 percent.

^{1/} In February 1985, the IMF suspended the release of \$1.5 billion in credits to Brazil for missing certain economic goals.

The incipient recovery in 1984, following 3 years of recession, was unable to relieve Brazil's serious unemployment problem. However, the most salient weakness of the Brazilian economy was persistent inflation, which ran at an annual rate of 224 percent, compared with the 40-percent rate originally targeted. Inflation was fueled by the growth of the money supply and the accompanying large budget deficit, which, despite cuts in public expenditures, could not be controlled.

Brazil's international economic performance was far better than its mixed domestic economic record. The current account balance, which was a deficit of \$6.1 billion in 1983, has been estimated as a surplus of \$654 million in 1984. Brazil attained a positive merchandise trade balance, totaling \$13 billion, double the \$6.5 billion recorded in 1983 and significantly more than the surplus of \$9.1 billion promised to the IMF. A 37-percent jump in industrial exports, and a sharp reduction in oil imports were principally responsible for this notable accomplishment. International reserves more than doubled to \$11.8 billion.

Brazil's export performance would not have been possible without exchange rate policy discipline. As the cruzeiro is linked to the U.S. dollar, seventy-one "mini-devaluations" took place in 1984 in response to the dollar's rising value. These devaluations served to keep pace with Brazil's rapid inflation and maintain the Brazilian currency at a competitive level. The yearend official exchange rate of the cruzeiro was 3100 to the dollar, reflecting a cumulative annual depreciation of 216 percent in 1984.

Despite its improved bargaining position with foreign creditor banks, Brazil was not able to conclude a restructuring agreement on its foreign debt before yearend 1984. Failure to do so was widely attributed to reluctance of creditor banks to act decisively in view of the upcoming change in Brazil's administration. 1/ Brazil's efforts to renegotiate the terms of its foreign debt were encouraged by the concessions Mexico obtained earlier in the year for its own foreign debt obligations. The objective was a multiyear agreement to restructure maturities and to lower interest rates, modeled on the accord foreign creditors concluded with Mexico. 2/

Brazil is the world's largest borrower, with an overall foreign debt of some \$100 billion at the end of 1984. Despite positive merchandise trade balances and current account improvements in both 1983 and 1984, Brazil continues to face serious difficulties in meeting its foreign debt repayment obligations. Debt charges have absorbed 88 percent and 85 percent of Brazil's export earnings in 1982 and 1983 respectively, and they are expected to claim some 75 percent in the year under review.

A third round of debt rescheduling negotiations between Brazil and a 14-member committee of foreign creditor banks took place in December 1984. Talks were to continue in 1985. At the December meeting, Brazil requested that the banks roll over \$48 billion due to private creditors in 1985 to

1/ Tancredo Neves was elected in January 1985 as President. His administration has been in office since March. The President-elect himself, however, died before ever assuming his duties.

2/ See "Mexico" earlier in this chapter.

1989. Notably, Brazil has not asked for new loans, which was seen as a sign that it handles the foreign debt burden comparatively well. Similar negotiations were expected to take place between Brazilian officials and the "Paris Club" 1/ concerning Brazil's debt to foreign governments, including that to the U.S. Eximbank and to the Commodity Credit Corporation.

Merchandise Trade with the United States

The United States was the major contributor to Brazil's unprecedented merchandise trade surplus in 1984. U.S. statistics show a trade deficit with Brazil totaling \$4.6 billion, almost double the deficit registered for 1983. From 1968 to 1980, the balance in United States-Brazilian trade was the reverse, with the United States consistently attaining an annual trade surplus. In 1984, the decline in recent years of exports to Brazil stopped, but imports from Brazil surged by almost 50 percent.

As a country market for U.S. exports, Brazil ranked 20th in 1984. At \$2.6 billion, U.S. exports were virtually unchanged from 1983, with only minor shifts in the composition of this trade by major commodity groups (table 21.) Exports of machinery and transportation equipment (SITC 7) continued to decline, but they remained the principal category of overall U.S. exports to Brazil. Leading items in this section included auto parts, computers, telecommunications equipment, and electrical machinery. Notable is a sharp drop in shipments of U.S. aircraft and related equipment to Brazil during the year. Chemical exports, which had declined sharply since 1980, rebounded somewhat in 1984, reflecting Brazil's strong need for fertilizers and herbicides. Machinery and chemicals jointly accounted for 56 percent of overall U.S. exports to Brazil. Despite declining shipments, wheat continued to be the leading specific U.S. export item to Brazil, 2/ while coal was second on the list. 3/

In contrast to its declining role as a U.S. market, Brazil has steadily gained importance relative to other countries as a supplier of the United States. In 1984, Brazil ranked 11th as a source of U.S. imports, compared with 17th as recently as in 1981. U.S. imports from Brazil totaled \$7.2 billion during the year, sharply up from \$4.9 billion in 1983.

Table 21 shows that imports increased in all but one major product section: beverages and tobacco. Brazilian tobacco shipments dropped from their unusually high 1983 level, when they were inflated by the anticipation of increased U.S. duties. Imports rose notably in the leading category of food (SITC 1), owing mostly to larger values of traditional tropical import items such as coffee and cocoa. However, some of the increased food imports consisted of products in which Brazil competes with U.S. production, specifically sugar, certain tobacco items, and fruit juices. Most notably, imports of fruit juices more than doubled in 1984. Consecutive freezes in Florida may now leave the U.S. industry dependent on Brazil for part of its supplies.

1/ The Paris Club is an international group of government representatives from creditor nations.

2/ Brazil's program of phasing out wheat subsidies gradually will have the effect of reducing consumption and imports.

3/ For leading U.S. items exported to and imported from Brazil see tables B-13 and B-14.

Table 21.--U.S. trade with Brazil, by SITC 1/ Nos. (Revision 2), 1982-84

		(In thousands of dollars)			
SITC Section No.	Description	1982	1983	1984	
					U.S. exports
					::
0	Food and live animals	457,715	456,604	448,723	
1	Beverages and tobacco	835	668	675	
2	Crude materials--inedible, except fuel	142,629	99,897	131,374	
3	Mineral fuels, lubricants, etc	274,724	222,825	259,154	
4	Oils and fats--animal and vegetable	6,144	1,500	35,104	
5	Chemicals	598,138	465,842	528,320	
6	Manufactured goods classified by chief material				
		188,432	101,313	104,933	
7	Machinery and transportation equipment	1,490,438	983,944	916,242	
8	Miscellaneous manufactured articles	189,052	159,346	131,093	
9	Commodities and transactions not elsewhere classified				
		21,211	28,040	29,625	
	Total	3,369,317	2,519,977	2,585,245	
					U.S. imports
					::
0	Food and live animals	1,474,293	1,528,476	2,087,874	
1	Beverages and tobacco	85,723	163,263	75,447	
2	Crude materials--inedible, except fuel	158,197	162,003	239,428	
3	Mineral fuels, lubricants, etc	639,046	564,920	729,746	
4	Oils and fats--animal and vegetable	30,667	37,862	45,176	
5	Chemicals	106,905	245,146	401,596	
6	Manufactured goods classified by chief material				
		598,648	841,350	1,452,038	
7	Machinery and transportation equipment	534,791	689,752	963,644	
8	Miscellaneous manufactured articles	431,075	626,777	1,081,539	
9	Commodities and transactions not elsewhere classified				
		112,083	83,888	131,509	
	Total	4,171,429	4,943,437	7,207,997	
	1/ Standard International Trade Classification.				

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

Note.--Because of rounding, figures may not add to the totals shown.

However, the surge in overall U.S. imports from Brazil was caused to a large degree by increased imports of manufactured products (SITC sections 5 through 9), such as footwear, steel items, automotive products, and pig iron. This penetration reflected the results of Brazil's successful industrial policy, which targeted certain manufactures as major export earners. 1/

Among individual items, surging imports of ethyl alcohol--classified among chemicals in SITC 5--deserves special note. Brazil is the world's largest low-cost producer of ethyl alcohol made of sugar cane, which it uses as a substitute for gasoline. The Government heavily supports production, research in cane-growing techniques, and processing technology.

As a developing country, Brazil is also a beneficiary of the GSP program of the United States. 2/ In 1984, Brazil was the fourth largest GSP beneficiary, and merchandise valued at \$1.2 billion or 16.6 percent of overall U.S. imports from Brazil entered duty free under this program.

Major Policy Developments Affecting Trade

In September 1984, Brazil announced a series of measures easing trade restrictions in response to repeated urgings by the IMF and the World Bank. The measures were also intended to create a more favorable climate for Brazil's then upcoming foreign debt negotiations.

The new provisions included phasing out an 11-percent extra rebate (rebate in excess of taxes paid) to exporters of the Industrial Product Tax (a value-added tax on industrial goods.) Among export subsidies, tax "over-rebates" have been a major irritant in Brazil's bilateral trade relations with the United States. Interest rate subsidies for exports have also been reduced.

Several new measures were designed in 1984 to relieve the Government's tight grip on imports. These were probably also intended to put a damper on Brazil's high level of inflation. The comprehensive regulation of Brazil's computer industry (informatics) was the other major policy development in 1984 with major trade and foreign investment implications. The import-liberalizing provisions and the informatics decree are discussed below.

Easing import restrictions

Effective in 1985, the Brazilian Government reauthorized a wide range of imports that were suspended by the Carteria de Comercio Exterior (CACEX), the Brazilian Government agency for foreign trade. 3/ The Government also raised overall import value limits for registered companies 4/ following severe curtailments in recent years and raised the budget allocations slightly for imports of State enterprises.

1/ U.S. International Trade Commission, Foreign Industrial Targeting and its Effects on the U.S. Industries: Brazil, Canada, The Republic of Korea, Mexico, and Taiwan, USITC Publication 1632, January 1985, p. 37.

2/ See also section on "GSP Review" in chapter V.

3/ Brazil has used import restrictions since the 1960's as part of its industrial policy of import substitution. Restrictions were tightened in the 1970's following the oil crisis, and once again in the 1980's, in response to the debt crisis.

4/ Only firms registered with CACEX can obtain import licenses.

The Brazilian Government further announced that it will liberalize the import-financing restrictions the Central Bank imposed in October 1982. The bank's resolution number 767 authorizes certain imports only on the condition that foreign financing is made available for at least 5 to 8 years (depending on the nature and value of imports). A new measure in the September 1984 trade reform package allows pay-back periods from 180 days to 5 years. This provision should make it easier for Brazilian importers to take advantage of foreign credit facilities.

Another one of the new Brazilian trade provisions reduces import surcharges to 10 to 30 percent and incorporates them into the tariff schedules. Tariff surtaxes up to 100 percent of the ad valorem value have been in effect since 1974 on over 4,000 categories of imports. Authorization of tariff increases of up to 60 percent is also part of the September package of trade measures.

Still another measure narrows the applicability of Brazil's so-called "Law of Similars," which prohibits imports of products similar to those already made in Brazil. Under the newly announced, more-lenient regulations, the "Law of Similars" will not be applied to imports that receive foreign financing for more than 1 year and do not benefit from duty reductions.

Regulation of informatics

In October 1984, Brazil passed legislation codifying a series of protectionist practices that had been in force for its high-priority computer and data-processing industry (informatics) in the last 5 years. Under Brazil's market reserve policy, production and sales rights in specified product areas are reserved for national firms. This policy has a restrictive impact on Brazil's foreign trade and investment. While restricting foreign investment in designated industries (such as petroleum, semiconductors, and informatics) and regulating it in others, Brazil would like to increase the inflow of capital to nonreserved markets.

A prior decree of 1977 blocked imports of all computers except mainframes. As a result, over 100 Brazilian electronics companies sprang up and domestic production surged. The new statute extends this import restriction through 1992, and curbs foreign investment in microcomputers, minicomputers, and super-minicomputers during the same timespan. Moreover, it broadens the definition of informatics to include any product with a digital component.

The new regulations do not affect the domestic production and sales of mainframe computers, which are dominated by Brazilian subsidiaries of IBM and the Burroughs Co. These two companies were among those U.S.-based multinationals who objected to the informatics statute while it passed through the legislative process. The protests received little support from any significant sector of Brazilian society.

Foreign enterprises can own up to 30 percent of local firms' stock, but without having voting privileges. However, foreign companies are authorized to set up plants for export in the free trade zones of Manaus and the northeastern part of the country, which are to be designated as special industrial export zones. If located in these zones, they are allowed to import technology, even if similar equipment or services are available in Brazil.

The informatics law also confirms the role of the Special Secretariat of Informatics (SEI), which was established in 1979 to implement the Government's market-reserve policy. However, it shifts the control of SEI from military authorities to a board of Government and industry representatives called the National Council for Information and Technology (CONIN). The statute codifies a wide range of fiscal and financial incentives for domestic companies, including income tax benefits, accelerated depreciation, import tax benefits, preferential Government funding. It also provides for preferential Government procurement to national firms. 1/

United States-Brazilian Bilateral Trade Issues

United States-Brazilian economic relations remained cordial in 1984. The United States continued to assist Brazil in its foreign credit crisis with funds, trade preferences, and technology transfer. Meanwhile, progress in resolving trade and investment disputes slowed with the approaching change in Brazil's administration.

U.S. banks currently hold about one-third of Brazil's external debt. In 1984, the U.S. Government continued supporting U.S. exports to Brazil through the Eximbank and the Commodity Credit Corporation.

Duty-free treatment for a range of imports from Brazil, under the GSP program of the United States, also continued. Efforts by the U.S. Government to shift duty-free benefits from more advanced beneficiary countries to poorer countries did not affect Brazil during the year; no Brazilian exports to the U.S. market were graduated in the latest annual GSP review. 2/ In its early years, the GSP program of the United States played an especially significant role in the growth and diversification of Brazilian exports to the United States. In more recent years, part of GSP-eligible imports from Brazil have been graduated or excluded from duty-free treatment under the program on grounds of competitive limits.

In recent years, Brazil has become a competitor of the United States in U.S. and world markets for several products. The aggressive promotion of these exports triggered charges of unfair trade practices (mostly of extensive subsidization) by U.S. producers. U.S. antidumping and, especially, countervailing duty proceedings against Brazilian items have increased dramatically since 1981. U.S. trade action against Brazil has been extensive in proportion to trade between the two countries. 3/

1/ For additional information on Brazil's regulations of the informatics industry, see also U.S. International Trade Commission, Foreign Industrial Targeting and its Effects on U.S. Industries: Phase III, USITC Publication 1632, January 1985, p. 64.

2/ The concept of graduation is explained in the sec. on "GSP Review" in Chap. V.

3/ In 1984, Brazil ranked only 20th among foreign suppliers of the U.S. market, and even lower than that in prior years. Nonetheless, since 1978 some 30 countervailing duty investigations had been conducted against imports from Brazil.

In 1984, the U.S. Government instituted several new investigations against certain imports from Brazil under both countervailing and antidumping statutes, involving principally steel products. Tensions over steel between the two countries were settled by the end of 1984 in a bilateral agreement regulating such trade. Action under section 301 of the Trade Act of 1974 (designed to enforce U.S. rights under the GATT) also continued in 1984 with respect to Brazil. Such action involved U.S. complaints alleging that extensive subsidies helped Brazil to capture an inequitable share of third-country markets for soybean oil, soybean meal, and poultry. This issue was also discussed bilaterally. (Meanwhile, Brazil is in the process of reducing credit and tax subsidies in an effort to tighten its budget.)

The United States also questioned Brazil's foreign investment policy during the year. The key issue was Brazil's new legislation passed in October, which reserves much of its national computer and related production and sales for Brazilian firms. 1/ The United States favors unrestricted direct investment flows, asserting that these are preferable to loans in resolving capital shortages in Brazil (and other developing countries). 2/ The flow of direct U.S. investment to Brazil slowed considerably in recent years, due partly to the financial crisis and recession in that country and partly to its restrictive economic policies.

On the other side of the ledger, in 1984 Brazil continued to criticize the high U.S. interest rates that added to its debt burden. 3/ Also, Brazilian exporters became increasingly concerned over the impact of the rising U.S. dollar on their competitiveness in third-country markets. With the cruzeiro being linked to the U.S. currency, the strength of the dollar has forced Brazil into frequent devaluations. These, in turn, have increased the price of Brazilian goods overseas.

Brazil also complained that the United States does not open widely its markets to Brazilian products, even though export earnings are Brazil's major source of debt repayment. The intensification in recent years of U.S. unfair trade proceedings against Brazilian products evoked charges of U.S. protectionism. So have quantitative restrictions maintained by the United States on certain imports--such as sugar and specialty steel--that affect Brazilian exports. U.S. tariffs on tobacco and ethyl alcohol are also on the list of Brazilian trade complaints against the United States.

U.S. financial assistance provided by Eximbank, and issues relating to trade in specific products are discussed below.

Eximbank credit facility

A \$1.5 billion special U.S. credit facility for Brazil, announced in December 1983, was signed in July 1984 and became operational in August. Its objective was to make financing of U.S. exports to Brazil possible despite

1/ See "Regulation of informatics" earlier in this sec.

2/ In early 1985, officials of the two countries met to discuss the possibilities of reviving U.S. direct investment in Brazil.

3/ Under current agreements, Brazil's repayment obligations on foreign debt are tied to U.S. interest rates.

that country's large foreign debt. 1/ Short-term and medium-term export financing guarantees from Eximbank were stipulated to provide selected U.S. lending banks with repayment protection.

Under this credit arrangement, repayment of insured loans cannot exceed 5 years. Eximbank credit guarantees are available for a wide range of U.S. exports to Brazil, including agricultural commodities, raw materials, and manufactured goods. Such guarantees can also be used to insure financing, engineering, and architectural services to Brazil.

Steel

By far the most serious trade disputes between the two countries during the year continued to involve steel from Brazil. The United States is the largest single customer for Brazilian steel, which began to penetrate the U.S. market in the 1980's in sharply increasing quantities. In an attempt to avoid countervailing duties, Brazil levied an export tax in March 1984 on certain steel shipments to the United States and, in April, announced voluntary restrictions on carbon steel exports for 3 years.

Brazil attained self-sufficiency in steel production in the late 1970's and began promoting exports. The Government itself made major direct investments in the steel industry; SIDERBRAS, a State company, currently owns some 60 percent of the country's steel capacity. Private steel companies enjoy major subsidies from the Government, including preferential financing, tax credits, and other incentives. 2/ In 1983, Brazil was the 11th ranking raw steel producer in the world, and it is by far the largest steel producer in Latin America.

Brazil is one of seven countries with which the United States negotiated a voluntary restraint agreement in December 1984, limiting its steel shipments to the United States for a 5-year period effective October 1, 1984. 3/ Brazil agreed to supply no more than 0.80 percent of apparent U.S. consumption of finished steel products during this period. In return, the United States agreed to discontinue antidumping and countervailing duty proceedings against most steel imports from Brazil. 4/

1/ Brazil generally took little advantage of the \$1.5 billion U.S. credit facility. However, agricultural products were part of the products and services for which this facility was authorized. Actual utilization for agricultural items was less than 2 percent of credit used for all commodities and services. (Source: EXIMBANK).

2/ For additional information, see U.S. International Trade Commission, Foreign Industrial Targeting and its Effects on U.S. Industry: Phase III, USITC Publication 1632, January 1985, pp. 37-74.

3/ On Sep. 18, 1984, the President outlined his policy of dealing with unfair trade in steel by seeking negotiated agreements with major suppliers within a 90-day period. See "The Steel Import Program" in Chap. I.

4/ The agreement was signed on Feb. 26, 1985. In addition to limiting steel exports, the Brazilians agreed to hold semifinished steel exports to a level not to exceed 7000,000 tons per year. It limited Brazil's steel exports to an estimated 1.5 million tons (to include 784,000 tons of finished steel and 700,000 tons of semifinished steel) in the initial period of the agreement: October 1984 through December 31, 1985. This compares with 1.4 million tons in 1984 and 1.26 million tons in 1983.

Textiles

In 1984, the United States and Brazil were in the last year of their third bilateral textile agreement under the MFA. This agreement entered in force on April 1, 1982, and is due to expire on March 31, 1985. It established limits (or provided for consultation on limits) for specified categories of cotton and manmade textile products Brazil might ship to the United States. 1/ During the year under review, the Commission conducted an investigation at the request of Brazil on the possible effect of revoking countervailing duty orders on combed and carded cotton. Based on the Commission's determination in May, the Department of Commerce revoked the countervailing duties in effect on combed yarn of cotton but maintained duties on carded yarn of cotton.

Footwear

Brazil, a major source of imported nonrubber footwear to the United States, was favorably affected by a determination of the Commission in June 1984. Following an investigation conducted under Section 201 of the Tariff Act of 1974, the Commission determined that nonrubber footwear is not being imported into the United States in such increased quantities as to be a substantial cause of serious injury or threat thereof to the domestic industry. 2/

Nonetheless, footwear remains a sensitive area of economic relations with the United States, which is Brazil's largest market. 3/ U.S. footwear imports from Brazil continued to rise in 1984 to \$854 million from \$514 million in 1983.

In January 1985, the Commission found good cause to institute a new footwear investigation at the request of the Senate Finance Committee. The Commission cited, among other reasons, that since its negative finding in June 1984, Congress had clarified the meaning of the provision on which the earlier investigation was based. The new footwear investigation reintroduced an element of uncertainty into Brazil's prospects for footwear exports into the United States.

1/ In the past, the two countries signed several bilateral textile accords, the first one in 1970. The last three were under the MFA. The current agreement is the first to cover manmade textile products in addition to cotton textiles.

2/ Nonrubber Footwear, USITC Publication 1545, July 1984.

3/ In 1983, the Commission conducted an investigation under Sec. 104(b) of the Trade Agreements Act of 1979 at the Brazilian Government's request. The investigation was to determine the likely effects of revoking the countervailing duty orders in effect on Brazilian footwear. Based on the Commission's findings, the countervailing duties in question were subsequently removed.

Sugar

Brazil's sugar exports to the United States are restrained by import quotas reinstated by the U.S. Government in May 1982. 1/ Since the quotas were reimposed, Brazil has been seeking larger quota allocations on grounds that its sugar exports to the United States had been untypically low in the base period used (1979-81).

Brazil was also seeking a reduction of U.S. duty rates on sugar. Having exceeded the "competitive limit" provisions of the GSP program, Brazilian sugar does not currently benefit from U.S. preferential duty programs as does that of some other developing countries in the Western hemisphere.

1/ Quantitative restrictions of U.S. imports are based on sec. 22 of the Agricultural Trade Act of 1933, as amended, which aims to prevent interference with price support programs operated by the U.S. Department of Agriculture. While there were no support programs for the 1980 and 1981 crops, such programs were reinstated for the 1982-85 crops.

CHAPTER V

ADMINISTRATION OF U.S. TRADE LAWS AND REGULATIONS

INTRODUCTION

This chapter reviews activities related to the administration of U.S. trade laws during 1984. Sections are included on U.S. actions under import relief and unfair trade laws. Import relief laws are designed to safeguard U.S. industries from injurious, sharply increasing levels of imports when unfair trade practices are not at issue. Unfair trade laws are designed to counter the effect of foreign imports benefiting from unfair trade practices, such as dumping, certain subsidies, or other practices as defined by domestic statutes. A section reviewing the administration of other import programs covers actions under laws regulating trade with respect to agricultural products and national security considerations, and implementation of the Caribbean Basin Initiative and the U.S. Generalized System of Preferences.

In 1984, the U.S. President announced that he would not implement the Commission's recommendations for granting import relief pursuant to section 201 of the Trade Act of 1974 for certain steel and copper products. For the steel products concerned, the President instead directed USTR to negotiate voluntary restraint agreements with major foreign suppliers. The Department of Commerce and the Commission continued to have a large caseload of antidumping and countervailing duty investigations during the year. As in previous years, the preponderance of investigations undertaken by the United States Trade Representative on alleged violations of trade agreements by foreign governments focused on outstanding trade issues in U.S.-EC trade.

IMPORT RELIEF LAWS

Safeguard Actions

Under section 201 of the Trade Act of 1974, the U.S. International Trade Commission conducts investigations to determine whether a product is being imported into the United States in such increased quantities as to be a substantial cause of serious injury or threat thereof to a domestic industry producing a like or directly competing product. ^{1/} Section 201 is based on article XIX of the General Agreement on Tariffs and Trade, commonly referred to as the escape clause because it permits a country to "escape" temporarily from GATT obligations with respect to a particular product when certain conditions prevail. Affirmative (or equally divided) Commission determinations allow the President to invoke GATT article XIX and to impose import relief in the form of increased tariffs, quotas, or tariff-rate quotas, as well as orderly marketing arrangements. Under section 203, the Commission conducts reviews to advise the President on the probable economic effect of extending, reducing, or terminating import relief in place. No section 203 investigations were undertaken in 1984.

During 1984, escape-clause relief continued in effect for heavyweight motorcycles and stainless and alloy tool steel, pursuant to Presidential

^{1/} The domestic industry consists of those domestic producers "producing an article like or directly competitive with the imported article." (19 U.S.C. 2251(b)(1)).

actions taken in 1983. 1/ Previously granted escape-clause relief for porcelain-on-steel cooking ware expired on January 16, 1984, and relief for clothespins expired on February 22, 1984.

The Commission completed five section 201 investigations in 1984. The Commission voted in the negative in the three cases concerning stainless steel table flatware (inv. no. TA-201-49), nonrubber footwear (inv. no. TA-201-50), and canned tuna fish (inv. no. TA-201-53). Affirmative determinations were made in the two cases on carbon and certain alloy steel products (inv. no. TA-201-51) and unwrought copper (inv. no. TA-201-52). Commission recommendations and Presidential actions regarding affirmative determinations taken in 1984 are described below, as are the followup actions on the 1983 determination on stainless and alloy tool steel.

Carbon and certain alloy steel products

On July 11, 1984, the Commission found that increased steel imports had been a substantial cause of serious injury to domestic firms and workers. Affirmative injury determinations were made by the Commission with respect to imports of semifinished steel, plates, sheets and strip, wire and wire products, and structural shapes and units. (The Commission did not find injury with respect to imports of wire rod, rail products, bars, and pipes and tubes.) A majority of the Commission recommended to the President that he impose a combination of quantitative restrictions and increased duties on imports of certain carbon and alloy steel products for a 5-year period. The recommendation proposed that increased tariffs be applied to wire products and semifinished steel and that quantitative restrictions be imposed on steel sheet, plates and strip, structural shapes and units, and wire for 5 years. A minority of the Commission recommended that no relief be provided. 2/

On September 18, the President determined that the imposition of import relief was not in the national economic interest and, instead, outlined an administration program to promote steel industry adjustment to world competition. 3/ Under this program, the President directed the USTR to negotiate agreements with countries whose exports to the United States had increased significantly in recent years. According to the President, the negotiations would result in voluntarily limiting imports to approximately 18.5 percent of the U.S. market, excluding semi-finished steel. The President concluded bilateral agreements with the Governments of Japan, Korea, Brazil, Mexico, Spain, Australia, Finland, and South Africa during 1984. 4/ The

1/ For further information on the 1983 investigations see the Operation of the Trade Agreements Program, 35th Report, 1983, p. 342.

2/ Commissioners Eckes, Lodwick and Rohr voted in the affirmative. Chairwoman Stern and Commissioner Liebeler voted in the negative. Commissioner Haggart did not participate.

3/ For a discussion of the administration's steel-import-stabilization program, see chap. I.

4/ Additional agreements have been negotiated during 1985. The Trade and Tariff Act of 1984 signed into law by the President on October 30, 1984 provides Presidential authority to enforce bilateral restraint arrangements with foreign steel-supplying countries for certain steel products. For further information on the Act, see chap. I.

agreements, which are retroactive to October 1, 1984, are scheduled to remain in effect through September 31, 1989.

Unwrought copper

On June 27, 1984, the Commission recommended that the President grant relief to the domestic copper industry. Two Commissioners recommended an increase in tariffs and two recommended the imposition of quotas. One Commissioner recommended that no relief be granted. 1/ On September 6, the President determined that granting import relief would not be consistent with the national economic interest. He stated that import restrictions would create a differential between U.S. and world prices of copper that would disadvantage the U.S. copper fabricating industries and shrink domestic demand for copper in the long term. At the same time, he directed the Department of Labor to coordinate retraining and relocation assistance for workers in the industry and directed the Department of Commerce to monitor copper imports and conditions in the domestic industry. 2/

Stainless and alloy tool steel

In July 1983 the President issued a Proclamation which provided import relief on specialty steels for a 4-year period through the temporary imposition of increased tariffs for stainless steel sheet, strip, and plate and quotas based on the Commission's recommended minimum import tonnages for stainless steel bar, rod, and alloy tool steel. 3/ In October 1983, the U.S. Government concluded orderly marketing agreements (OMA's) covering 61 percent of all quota-bound specialty steel imports with the Governments of Japan, Canada, Poland, Argentina, Spain, Austria, and Sweden. 4/ The agreements reduced commensurately the remainder of the quota available to other nations. In March 1984, the EC announced retaliatory measures, taken in conformity with its rights under the GATT, to compensate for the U.S. steel actions. 5/

Market Disruption

Section 406 of the Trade Act of 1974 provides for investigations by the Commission to determine whether imports of an article originating in a

1/ Chairwoman Stern and Commissioner Rhor recommended an increase in tariffs. Commissioners Eckes and Lodwick recommended the imposition of quotas. Vice Chairman Liebler voted in the negative. Commissioner Haggart did not participate.

2/ Memorandum from the President to the USTR on Sept. 6, 1984, in Weekly Compilation of Presidential Documents, Vol. 20, No. 36, p. 1240.

3/ Proclamation 5074 of July 19, 1983 (Federal Register, Vol. 48, No. 141).

4/ OMA's were recognized as a form of import relief under section 203 of the Trade Act of 1974 and have been used frequently to provide import relief to U.S. industries.

5/ For more information see the sec. entitled "U.S.-EC Bilateral Trade Issues" in chap. IV.

nonmarket-economy (communist) country are causing market disruption with respect to an article produced by a U.S. industry. 1/

In its only section 406 activity during 1984, the Commission investigated the economic effect on the U.S. market of imports of ferrosilicon from the Soviet Union. The Commission's action was in response to a request on November 17, 1983, from the USTR. On February 2, 1984, the Commission determined that imports of ferrosilicon from the Soviet Union were not causing market disruption. The ferrosilicon case was the 10th investigation instituted pursuant to section 406 since the section took effect in 1975.

Adjustment Assistance

The Trade Act of 1974 provides for adjustment assistance to workers, firms, and industries adversely affected by increased imports. Adjustment assistance to workers is administered by the Department of Labor and is delivered in the form of cash benefits for direct trade readjustment allowances as well as service benefits that include allowances for job search, relocation, and training. Assistance to firms and industries is administered by the Department of Commerce in the form of technical and financial assistance. 2/ Industrial aid through the Department of Commerce is intended to improve the ability of firms to compete in home markets and to stimulate U.S. exports of trade-affected products.

Assistance to workers

The Department of Labor instituted 433 investigations in fiscal year 1984 on the basis of petitions for eligibility filed to apply for trade adjustment assistance, a decrease of 64 percent from the 1,217 investigations instituted in fiscal year 1983. The results of investigations completed or terminated in fiscal year 1984 (including those instituted in the previous year) were as follows:

<u>Item</u>	<u>Number of investigations or petitions</u>	<u>Number of workers</u>
Complete certifications-----	344	22,339
Partial certifications-----	21	2,289
Petitions denied-----	443	67,968
Petitions terminated or withdrawn-----	<u>19</u>	<u>284</u>
Total-----	827	92,880

Source: U.S. Department of Labor

1/ If the Commission issues an affirmative determination, it must also recommend to the President a remedy for the existing or threatened market disruption. The remedy is directed only at the imports that are the source of the market disruption. A sec. 406 investigation can be based on a request by the President, the USTR, by resolution of certain committees of the U.S. Congress, or other requesters or petitioners enumerated in sec. 201(a)(1). If the President takes action following an affirmative Commission determination in a sec. 406 case, he has essentially the same options for import relief as those provided in secs. 202 and 203 of the Trade Act of 1974.

2/ Technical assistance includes assistance in engineering, production methods, financial management, and marketing. Financial assistance includes both direct loans and loan guarantees.

As a result of lower rates of eligibility for assistance than in previous years, Department of Labor expenditures in fiscal year 1984 on direct cash benefits to certified workers decreased significantly to \$35.3 million. This figure was \$1.2 million less than the estimated total expenditures in fiscal year 1983. Funds allocated in 1984 were directed predominantly to certified workers in the automobile and steel industries in the Midwest. In addition to direct financial assistance, the Department provided allowances in fiscal year 1984 for worker activities in the areas shown in the following tabulation:

<u>Item</u>	<u>Number of workers</u>	<u>Expenditure</u>
Job search-----	799	\$183,500
Relocation allowances-----	2,222	2,305,270
Training-----	29,275	16,463,573

Source: U.S. Department of Labor

Assistance to firms and industries

The International Trade Administration in the Department of Commerce certified 398 firms as eligible for trade adjustment assistance during fiscal year 1984, a decrease of 3 percent from the 412 firms certified in FY 1983. The ITA approved the adjustment proposals of 16 certified firms and authorized financial assistance totaling \$23.9 million, including \$7.5 million in direct loans and \$16.4 million in loan guarantees. The ITA also provided direct technical assistance valued at \$13.0 million through its Trade Adjustment Assistance Centers (TAAC's) to 814 trade-impacted firms. Firms in the primary metals, fabricated metals, machinery, and miscellaneous manufacturing sectors accounted for 48 percent of all certification activity in fiscal year 1984. In contrast, firms in the apparel, leather goods, and textile sectors, which in previous years had accounted for 55 percent of all firms certified, accounted for only 28 percent of all fiscal year 1984 certification activity. 1/

The Department of Commerce awarded cooperative agreements totaling \$3.2 million to 10 industry associations for trade-adjustment technical assistance. These associations represented producers of apparel and textiles, gears, leather products, electronics, wire machinery, industrial fabrics, uniforms, sporting goods, jewelry, and onions. 2/

LAWS AGAINST UNFAIR TRADE

U.S. law provides remedies for U.S. industries against certain types of unfair trade actions, including (1) dumping, (2) subsidies, and (3) unfair methods of competition in import trade, such as patent infringement. It also

1/ Figures compiled from information provided by the U.S. Department of Commerce.

2/ Trade adjustment technical assistance programs, initially funded in previous years, continued in effect throughout fiscal year 1984 for industries that process shrimp and produce industrial machinery, footwear, mushrooms, stainless steel flatware, shakes and shingles, industrial fasteners, steel, cutlery, vitreous chinaware, earthenware, work gloves, luggage, handbags, handmade glass, hand tools, wool, loudspeakers, and hardwood products.

provides for enforcement of rights under trade agreements and remedies against unfair trade practices of foreign governments that burden or restrict U.S. commerce. As a result of the numerous antidumping and countervailing duty investigations undertaken in 1984 by the International Trade Commission and the Department of Commerce, 23 new antidumping orders and 14 new countervailing duty orders were imposed. Out of 46 unfair practice investigations undertaken by the Commission, 14 resulted in exclusion orders. Under section 301 provisions addressing rights under trade agreements and certain foreign practices, the USTR instituted two new investigations in 1984 concerning EC subsidies on satellite launching services and EC technical standards on fertilizers.

Antidumping Actions

The antidumping laws are designed to prevent unfair foreign competition due to international price discrimination. Under section 731 of the Tariff Act of 1930, as amended, 1/ the United States may impose antidumping duties to offset the effects of imports into the U.S. market that are determined to be priced below their fair value based on affirmative findings by the U.S. Department of Commerce and the U.S. International Trade Commission. The Department of Commerce investigates whether imports are being, or are likely to be, sold in the United States at less than fair value. 2/ The International Trade Commission determines whether a domestic industry is materially injured or threatened with material injury or whether the establishment of a domestic industry is materially retarded by reason of such imports. 3/

The Department of Commerce completed 61 final antidumping investigations in 1984 on the issue of price discrimination, an increase of 144 percent from the 25 final investigations completed in 1983. Antidumping duties were imposed as a result of 22 of these investigations on a total of 18 products from 9 countries. The Commission completed 50 preliminary and 32 final antidumping investigations to determine material injury or threat thereof. Details of antidumping actions and outstanding orders--including suspension

1/ The Trade Agreement Act of 1979 amended the Tariff Act of 1930 by adding title VII, containing new antidumping provisions. These provisions were amended recently by the Trade and Tariff Act of 1984.

2/ Sales at less than fair value exist whenever the price of goods exported to the United States is less than the price at which such or similar goods are sold in the market of the exporting country for home consumption. If the home market sale price is not based on normal commercial considerations, or if too few domestic sales have been made to provide an adequate basis for comparison, alternative methods, such as constructed value, are used.

3/ If the Commission issues an affirmative preliminary determination concerning material injury to a U.S. industry, a preliminary and a final investigation are conducted by the Department of Commerce to determine whether the imported product is being, or is likely to be, sold at less than fair value, within the meaning of the Tariff Act of 1930. The Commission issues its final injury determination either 120 days after Commerce's preliminary affirmative determination or 45 days after Commerce's final affirmative determination. If Commerce's preliminary determination is negative and its final determination is affirmative, the International Trade Commission issues its final injury determination within 75 days after the final affirmative determination.

agreements in effect 1/ and revocations in 1984--are presented in tables A-5 and A-6. A summary of antidumping cases in 1984 follows.

Summary of U.S. antidumping activity in 1984

Petitions filed-----	73
Investigations completed-----	49
Preliminary Commission negative determinations-----	4
Final Commerce determinations:	
Negative-----	5
Affirmative-----	38
Final Commission determinations:	
Negative-----	9
Affirmative-----	19
Suspensions of investigations-----	0
Withdrawal or termination of petitions-----	13
Final antidumping orders-----	22

Source: Compiled from records of the U. S. Department of Commerce and the U.S. International Trade Commission.

The Commission completed two administrative reviews of outstanding antidumping orders in 1984 under section 751 of the Tariff Act of 1930 2/ to determine whether revocation of an order in effect would cause material injury or threat thereof, or materially retard establishment of a domestic industry. In December 1984, the Commission issued an affirmative ruling on one investigation, resulting in the continuation of the order on drycleaning machinery from West Germany. The second case on acrylic sheet from Japan was dismissed prior to the Commission issuing a determination on the merits of the case. The Department of Commerce, through its administrative review

1/ An antidumping investigation can be terminated through a suspension agreement prior to a final determination by the Department of Commerce, if exporters accounting for substantially all of the imports of the merchandise under investigation agree to either eliminate the dumping or to cease exports of the merchandise to the United States within 6 months after suspension of the investigation or if extraordinary circumstances are present and the exporters agree to revise prices to completely eliminate the injurious effect of the imports. The investigation is reinstated at the same stage as suspended should less-than-fair-value sales recur.

2/ The Trade Agreements Act of 1979 amended the Tariff Act of 1930 to establish, under sec. 751 (19 U.S.C. 1675), a statutory procedure for the review of outstanding antidumping determinations or suspension agreements. Under sec. 751(a), periodic reviews are conducted by the Department of Commerce to adjust the amount of duty. (The Trade and Tariff Act of 1984 amended this provision such that the periodic review will be conducted upon request rather than annually. Under sec. 751(b), a review of a final determination or of a suspension agreement shall be conducted by the Department of Commerce (to determine if the unfair practice still exists) or the Commission (to determine if injury still exists) whenever it receives information or a request showing changed circumstances sufficient to warrant such review. Without good cause shown, however, no final determination or suspension agreement can be reviewed within 24 months of its notice. The party seeking revocation of an antidumping order has the burden of persuasion as to whether there are changed circumstances sufficient to warrant revocation.

procedures (conducted in conformity with section 751 of the Tariff Act), revoked orders in 1984 on six products: printed vinyl film from Argentina; viscose rayon staple fiber from Belgium; condenser paper from France; tempered sheet glass from Japan; perchloroethylene from Belgium, France, and Italy; and pig iron from Czechoslovakia, East Germany, Romania, and the U.S.S.R.

Countervailing Duty Actions

The U.S. countervailing duty law originally enacted in 1897 and amended most recently by the Trade and Tariff Act of 1984 1/ is set forth in sections 303 and Title VII of the Tariff Act of 1930. It provides for the levying of special duties to countervail or offset foreign subsidies on products imported into the United States. A material injury test was added to the U.S. law in 1979 in title VII of the Tariff Act of 1930 (19 U.S.C. 1671) to align the law with U.S. obligations under the GATT Agreement on Subsidies and Countervailing Measures. Articles originating in countries that have been designated as a "country under the Agreement" for the purposes of title VII are entitled to this injury test by the Commission. 2/ Articles imported from other countries are subject to countervailing duties regardless of whether or not there has been injury to a domestic industry. In these cases, duties are levied under Section 303 (19 U.S.C. 1303) by the Department of Commerce and producers are entitled to an injury test from the Commission only if an article entered free of duty.

Procedurally, the countervailing duty law is similar to the antidumping law. The Department of Commerce determines whether a subsidy exists and the margin of subsidy. The Commission, if an injury test is required, determines whether a domestic industry has been materially injured, or is threatened with material injury, or whether the establishment of a domestic industry has been materially retarded, by reason of imports of such subsidized merchandise.

The Department of Commerce completed 39 final countervailing duty investigations in 1984, representing a slight increase over the 35 investigations completed in 1983. Countervailing duty orders were imposed as a result of 14 of these investigations on a total of 11 products from 6 countries. The Commission completed 16 preliminary and 7 final investigations on the issue of material injury or threat thereof as a result of subsidized imports. Details of countervailing duty actions and outstanding orders--including suspension agreements in effect 3/ and revocations in

1/ The Trade and Tariff Act of 1984 is discussed separately in chap. I.

2/ Most of the major U.S. trading partners have signed the GATT Agreement on Subsidies and Countervailing Duties. The Commission also conducts preliminary and final injury investigations under sec. 303 if the imports enter the United States free of duty and the international obligations of the United States so require.

3/ A countervailing duty investigation can be terminated through a suspension agreement prior to a final determination by the Department of Commerce on the issue of subsidization, if (1) the government of the subsidizing country, or exporters accounting for substantially all of the imports of the merchandise under investigation, agree to eliminate the subsidy, to completely offset the net subsidy, or to cease exports of the merchandise to the United States within 6 months after suspension of the investigation; or (2) extraordinary circumstances are present and the government or exporters described above agree to take action that will completely eliminate the injurious effect of the imports of the merchandise under investigation. The investigation is reinstated at the same stage where it was suspended if subsidization recurs.

1984--are presented in tables A-7 and A-8. A summary of countervailing duty cases in 1984 follows.

Summary of U.S. countervailing duty activity in 1984

Petitions filed-----	52
Investigations completed-----	32
Preliminary Commission negative determination-----	3
Final Commerce determination:	
Negative-----	6
Affirmative determination-----	18
Final Commission determination:	
Negative-----	2
Affirmative-----	5
Suspension of investigation-----	3
Withdrawal or termination of petitions-----	6
Final countervailing duty orders-----	14

Source: Compiled from records of the U.S. Department of Commerce and the U.S. International Trade Commission.

The Commission completed one administrative review in 1984, under section 751 of the Tariff Act of 1930, to determine whether revocation of a suspension agreement in effect would cause material injury or threat thereof, or materially retard establishment of a domestic industry. ^{1/} On December 13, 1984, the Commission issued an affirmative ruling, resulting in the continuation of the agreement reached between the Department of Commerce and the Government of Brazil on frozen concentrated orange juice. The Department of Commerce through its administrative review procedures (conducted in conformity with section 751 of the Tariff Act) revoked orders in 1984 on two products: cordage from Cuba and scissors and shears from Brazil.

^{1/} The Trade Agreements Act of 1979 amended the Tariff Act of 1930 to establish, under sec. 751 (19 U.S.C. 1675), a statutory procedure for the review of outstanding countervailing duty determinations or suspension agreements. Under sec. 751(a), periodic reviews are conducted by the Department of Commerce to adjust the amount of duty. (The Trade and Tariff Act of 1984 amended this provision such that the periodic review will be conducted upon request rather than annually.) Under sec. 751(b), a review of a final determination or of a suspension agreement shall be conducted by the Department of Commerce (to determine if the unfair practice still exists) or the Commission (to determine if injury still exists) whenever it receives information or a request showing changed circumstances sufficient to warrant such review. Without good cause shown, however, no final determination or suspension agreement can be reviewed within 24 months of its notice. The party seeking revocation of an countervailing duty order has the burden of persuasion as to whether there are changed circumstances sufficient to warrant revocation.

The Commission completed four special administrative reviews, under the provisions of section 104 of the Trade Agreements Act of 1979, of outstanding countervailing duty orders in 1984. Two others were pending at yearend. 1/ Under this provision, foreign governments or exporters of merchandise whose products, subject to outstanding countervailing duty orders and entitled to an injury test under the terms of the 1979 trade act could, for a period of 3 years, request an injury review with respect to these outstanding orders. The remainder of the requested section 104 reviews will be completed in 1985. These review investigations were conducted under section 104 of the Trade Agreements Act of 1979 to determine whether a domestic industry would be materially injured or threatened with material injury, or whether the establishment of a domestic industry would be materially retarded, by reason of imports subject to these outstanding countervailing duty orders.

In the first two cases, the Commission issued affirmative determinations resulting in the continuation of the orders on the products in question. These two cases involved certain castor oil products from Brazil and cotton yarn from Brazil. In the other two cases, the Commission issued negative determinations. As a result, the Department of Commerce revoked the countervailing duty order on these products: bottled green olives from Spain and certain tomato products from Greece. Two section 104 investigations involving imports from Spain and India of oleoresins were in progress as of December 31, 1984.

Also under the provisions of section 104, the Governments of Australia and Spain requested in 1984 that the United States terminate its outstanding countervailing duty orders on butter from Australia and vitamin K, ferroalloys, and unwrought zinc from Spain. In response, the Commission contacted the original petitioners. Since the original petitioners desired to withdraw the petition, the Commission published notice of the withdrawal of petition and the proposed noninstitution of a review investigation. No adverse comments were received from any source. In these circumstances, the noninstitution of an investigation has the same effect as a determination of no material injury or threat thereof. Consequently, the Department of Commerce revoked the outstanding countervailing duty orders.

Unfair Practices Investigations

Section 337 of the Tariff Act of 1930 (19 U.S.C. 1337) provides for investigations by the U.S. International Trade Commission to determine whether unfair methods of competition or unfair acts exist in the import or sale of imported articles in the United States. The Commission determines whether the effect or tendency of such acts is to destroy or substantially injure an efficient and economically operated U.S. industry, to prevent the

1/ Administrative reviews under sec. 104 of the 1979 Trade Agreements Act apply only to countervailing duty orders issued prior to Jan. 1, 1980 when an injury test on dutiable products was not required. The statutory deadline for foreign governments or exporters of merchandise to the United States to request a review investigation under sec. 104 was Jan. 1, 1983. The investigations mentioned above represent the remaining outstanding cases.

establishment of an industry, or to restrain U.S. commerce. 1/ If the Commission determines that a violation exists, it can issue an order--subject to Presidential review--excluding the subject imports from entry into the United States or order the violating parties to cease and desist from the unlawful practices. 2/ Section 337 investigations are usually instituted on the basis of a formal complaint; the Commission can, however, institute an investigation on its own initiative. In 1984, as in previous years, most complaints of unfair acts brought before the Commission alleged infringement of a U.S. patent by imported merchandise. The exceptions in 1984 included cases involving trademark or copyright infringement, false advertising and labeling, and antitrust violations. 3/ Unfair practices that involve dumping or foreign government subsidies must be pursued under antidumping and countervailing duty provisions of the trade laws, not under section 337. The Commission normally completes section 337 investigations within 12 months; it may take 18 months in cases declared to be more complicated.

The Commission completed 46 investigations in 1984 under section 337, a significant increase over the 24 investigations completed in 1983. No violation of the statute was found in 6 of the 46 investigations completed. Fourteen investigations resulted in the issuance of exclusion orders. A fifteenth exclusion order was disapproved by the President. The remaining 24 investigations were terminated by the Commission prior to issuance of findings: 10 on the basis of a settlement agreement; 7 on the basis of a consent order; 3 with prejudice to the complainant; 2 on the basis of abatement; and 1 each for noninfringement, and complainants' motion. Commission activities involving section 337 actions in 1984 are presented in table A-9.

As of December 31, 1984, a total of 33 outstanding exclusion orders based on violations of section 337 were in effect. All but 8 of these involve patent violations. Table A-10 lists the investigations that preceded the issuance of the orders.

1/ Proceedings are conducted before an administrative law judge in accord with the Administrative Procedure Act, 5 U.S.C. 551 et seq. Following hearings, the administrative law judge transmits to the Commission a recommended determination. The Commissioners issue the final determination after reviewing the record and the recommended determination. If the Commission finds a violation, it must determine the appropriate remedy, the amount of any bond to be collected while the order is pending before the President, and whether public-interest considerations preclude the issuance of an exclusion or cease and desist order. Violation of a Commission order may be subject to civil penalties of up to \$10,000 per day.

2/ A patent provides its holder with the right to exclude others from manufacturing, using, or selling the patented product, process, or design for a 17-year period. An exclusion order banning imports of articles that infringe the patent for the duration of the 17-year period is often the remedy recommended in patent infringement cases. The Commission can order temporary exclusion of articles or issue a temporary cease-and-desist order during the pendency of an investigation. The Commission does not issue such orders if there are overriding public-interest considerations. The President may disapprove an order within 60 days of issuance for policy reasons.

3/ Other examples of unfair acts include breach of contract, collusive bidding, contributory infringement, failure to mark country of origin, refusal to deal or sell, trademark dilution, trade secret misappropriation, and fraudulent inducement to enter into a licensing agreement.

Traditionally, the Commission has conducted investigations under section 603 of the Trade Act of 1974 to gather information necessary to determine whether a basis exists for instituting a section 337 investigation. The Commission is generally authorized under section 603 to conduct preliminary investigations to determine the scope and manner of its proceedings and to consolidate proceedings before it.

The Commission, on April 11, 1984, instituted an investigation on certain hydrogenerators from Japan (inv. no. 603-TA-9) to examine the market for the article and to determine if allegations by the domestic hydrogenerator industry of unfair import practices merited a full section 337 investigation. The alleged unfair methods of competition consisted of a combination or conspiracy to restrain or monopolize trade and commerce in the United States, a combination or conspiracy to allocate customers or markets, and the bidding on and sale, either individually or in concert, of hydrogenerators in the United States at predatory prices. At the close of 1984, this investigation was still pending.

Enforcement of Trade Agreements and Response to Certain Foreign Practices

Section 301 of the Trade Act of 1974, as amended, (19 U.S.C. 2411), gives the President the authority and means to enforce U.S. rights under trade agreements, including various nontariff agreements. According to time limits imposed under section 301, the President must try to obtain the elimination of trade practices of foreign governments and instrumentalities that, upon investigation, he determines to be unjustifiable, unreasonable, or discriminatory, and that burden or restrict U.S. commerce. 1/ An interdepartmental committee headed by the United States Trade Representative conducts these investigations (including hearings if requested), usually on the basis of petitions alleging 301 violations. 2/ If the foreign entity does not agree to change its practices, the President is empowered to (1) deny it the benefits of trade-agreement concessions, and (2) impose duties, fees, or other import restrictions, where appropriate.

During 1984, three new section 301 petitions were filed, one of which was withdrawn prior to initiation. The case brought by Transpace Carriers, Inc. concerning satellite launching services reflects the increasing effort by service industries to obtain section 301 remedies. Of the six petitions filed

1/ Within this context, "commerce" includes services related to international trade, regardless of whether such services are related to specific products.

2/ The statute provides a number of procedures to be followed by the USTR and imposes time limits on actions. If the USTR accepts the petition, the statute directs that he consult with the foreign country or instrumentality involved. In the case of a dispute between Contracting Parties to the GATT, the GATT is used as a forum for attempts to settle a dispute. On some occasions, the United States has relied on the dispute settlement provisions of the GATT Agreement on Subsidies and Countervailing Duties. Art. XXIII also includes procedures that may be used if a Contracting Party believes that a benefit accruing to it is being nullified or impaired by another Contracting Party.

in 1983, only the three concerning foreign restrictions on U.S. soybean exports remain unresolved. Table 22 provides a summary of the activity on section 301 cases during 1984 that is described in greater detail below..

Cases instituted

EC subsidies on satellite launching services 1/

In a petition filed in May 1984, Transpace Carriers, Inc. alleged that the Member Governments of the European Space Agency--Belgium, Denmark, France, Germany, Ireland, Italy, the Netherlands, Sweden, Spain, Switzerland and the United Kingdom--and their space-related instrumentalities subsidize satellite launching services offered by Arianespace. In July 1984, the USTR initiated the investigation and requested consultations with the members of the European Space Agency. At these consultations, held in November and December of 1984, USTR gathered information in order to determine how to proceed further with the investigation.

EC technical standards for fertilizers 2/

In a petition filed on August 17, 1984, the Fertilizer Institute alleged that a technical standard for triple superphosphate adopted by the EC is inconsistent with the provisions of the GATT Standards code. On October 1, 1984, the USTR initiated an investigation. Following preliminary consultations with the EC near the end of 1984, the USTR returned to the petitioner to collect further information on the case.

Cases resolved

Japanese import restrictions on leather 3/

In a petition filed in August 1977 the Tanners Council of America alleged that Japan violated GATT article XI in imposing quantitative restrictions on imports of leather from the United States and alleged that Japanese tariffs were excessively high. The U.S. consultations with Japan under GATT article XXIII(1) in January 1979 resulted in an understanding that Japan would expand the quota on imported leather. Since the terms of the understanding were not realized, the United States requested a GATT panel, which was established in April 1983. The GATT Council first considered the panel report of this subject in March 1984. 4/ After Japan agreed to adoption of the report in May, it promised to take remedial measures. Japan had not, however, completed implementation of these measures by yearend and the U.S. continues to monitor developments.

1/ Inv. no. 301-46.

2/ Inv. no. 301-47.

3/ Inv. no. 301-13.

4/ For further information on the panel report, see the Dispute Settlement sec. of chap. II.

Table 22.--Summary of activity on section 301 investigations during 1984

Inv. no/ Date filed	Petitioner	Product or service/ country	Status at yearend 1984
301-6 Nov. 1975	Millers National Federation	Wheat flour/Euro- pean Community	GATT Subsidies code panel declined to de- termine if EC violated code rules. Re- port not as yet adopted by code members.
301-11 Nov. 1976	Florida Citrus Commission	Citrus fruits and juices/ European Community	GATT panel report completed in 1984 found no EC violation of GATT rules but agreed that U.S. exports adversely affected. U.S. followup continuing.
301-13 Aug. 1977	Tanners Council of America	Leather/ Japan	GATT panel report favoring U.S. position adopted in May 1985. Follow-up on implementation by Japan continues.
301-15 Aug. 1978	U.S. television licensees	Television adver- tising/ Canada	In Oct. 1984, the case was resolved by passage of legislation applying tax treatment to Canadian advertisers simi- lar to that subject of the complaint.
301-23 Sep. 1981	National Broiler Council	Poultry/ European Community	Ongoing consultations have yielded no results as yet.
301-25 Oct. 1981	National Pasta Association	Pasta/ European Community	GATT Subsidies code panel issued findings favoring the U.S. in May 1984, but their adoption is blocked by lack of consensus
301-26 Oct. 1981	California Cling Peach Advisory Board	Canned fruit and raisins/ Euro- pean Community	GATT panel report, completed in July 1984, remains confidential until adoption by the Contracting Parties. Report to be considered by the Contracting Parties in 1985.
301-34 Jul. 1982	J.I. Case Company	Front-end loaders/ Canada	Following informal GATT consultations, USFR returned to the petitioner for fur- ther information to determine how to proceed with the case. Consultations with petitioner continuing.
301-35 Oct. 1982	Footwear Indus- tries of Amer-	Nonrubber foot- wear/ Brazil	Consultations with Brazil to liberalize market access are continuing.
301-40 Apr. 1983	National Soybean Processors Association	Soybean oil and meal/ Brazil	GATT Subsidies code consultations to con- tinue into 1985 to confirm Brazil claim that barriers have been eliminated.
301-41 Apr. 1983	-----do-----	Soybean oil and meal/ Portugal	Portugal agreed to phase out State tra- ding company purchases in favor of dir- ect purchases by private importers; implementation nearly complete.

Table 22.--Summary of activity on section 301 investigations during 1984--continued

Inv. no/ Date filed	Petitioner	Product or service/ country	Status at yearend 1984
301-42 Apr. 1983	-----do.-----	Soybean oil and meal/ Spain	Consultations are continuing.
301-43 Sep. 1983	Rice Millers Association	Rice/ Taiwan	Petitioner withdrew petition following understanding that Taiwan would limit subsidized rice exports.
301-44 Sep. 1983	Air Courier Con- ference of America	Air transport of time-sensitive documents/ Argentina	Argentina agreed to temporarily lift the postal restrictions in 1984 and termin- ated them early in 1985.
301-45 Dec. 1983	Moton Picture Exporters Association of America	Film distribution Taiwan	Petition withdrawn in Apr. 1984.
301-46 May 1984	Transpace Carriers, Inc.	Satellite laun- ching services/ European Com- munity	Information gathering consultations held with members of the European Space Agency in Nov. and Dec. 1984.
N/A Jul. 1984	Sun-Diamond Grow- ers of America	Raisins/ European Community	Petition withdrawn prior to initiation.
301-47 Aug. 1984	Fertilizer Institute	Triple super- phosphate/Euro- pean Community	After information consultations with the EC at end of 1984, USTR requested fur- ther information from the petitioner in order to determine how best to proceed with the case.

Canadian tax deductions for television advertising 1/

In a petition filed August 1978, certain U.S. television licensees alleged that certain provisions of Canadian Income Tax Act unreasonably denied tax deductions to Canadian taxpayers for purchase from a U.S. broadcaster of advertising time aimed at the Canadian market, since the Canadian law did allow deductions for purchase of advertising time from Canadian broadcasters. After public hearings held in November 1978 and July 1980, the President determined that the most appropriate response was U.S. legislation that would mirror the Canadian tax practice. In October 1984, the United States enacted legislation that applied such tax provisions with respect to Canada. 2/

Taiwan subsidies on rice exports 3/

In a petition filed in September 1983, the Rice Millers Association alleged that Taiwan's subsidies on exports of rice restrict U.S. exports and burden the U.S. support program. Consultations with Taiwan were held in December 1983 and again in January and February of 1984. The petitioner withdrew its petition after bilateral discussions resulted in an understanding providing for limits on subsidized rice exports from Taiwan. Consequently, the USTR terminated the investigation in March 1984.

Argentine postal restrictions 4/

In a petition filed in September 1983 the Air Courier Conference of America alleged that Argentine regulations granting exclusive control over the international air transportation of time-sensitive commercial documents (i.e. express mail) to the Argentine postal system were unreasonable. Consultations with Argentina were held in March 1984. In November 1984, the President determined that Argentine practices were an unreasonable restriction on U.S. commerce. He directed the USTR to hold another consultation, as requested by Argentina, and to submit proposals for section 301 action within 30 days. By the end of 1984, Argentina had temporarily lifted the postal restrictions concerned. Early in 1985, the case was resolved when these restrictions were lifted permanently.

Cases outstanding

EC export subsidies on wheat flour 5/

In a petition filed in November 1975, the Millers National Federation alleged that the EC violated GATT article XVI(3) in using export subsidies to gain more than its equitable share of world trade in wheat flour. GATT article XXII(1) consultations were held in 1977 and 1980 and technical

1/ Inv. no. 301-15.

2/ This new provision is contained in sec. 232 of the Trade and Tariff Act of 1984.

3/ Inv. no. 301-43.

4/ Inv. no. 301-44.

5/ Inv. no. 301-6.

discussions followed in 1981. The Subsidies code dispute settlement process began in September 1981. Conclusions of a Subsidies code panel charged with investigating the U.S. allegations were issued in early 1983. 1/ The panel report was considered several times by the code committee in 1983, but was not adopted. Consultations in the GATT to arrive at a resolution to this case continued throughout 1984. The Subsidies code committee was unable to reach consensus on adopting the report of the panel. 2/

EC citrus preferences 3/

In a petition filed on November 1976, the Florida Citrus Commission alleged that EC preferential import duties on orange and grapefruit juices and fresh citrus fruits from certain Mediterranean countries adversely affected U.S. citrus producers. Public hearings were held in January 1977. Following the 1979 Tokyo round in which duty reduction was obtained only on fresh grapefruit, GATT article XXII:1 consultations were held. Informal discussions, formal consultations under GATT article XXIII(1), and GATT Council conciliation efforts all failed to produce a mutually satisfactory resolution. Consequently, the GATT Council established a panel in November 1982. Since agreement on panel formation was difficult, meetings began only near the end of 1983. The panel report, completed in 1984, reportedly found no EC violation of specific GATT rules but agreed that U.S. exports had been adversely affected. 4/ The report of the panel was scheduled to be considered by the GATT council in March 1985.

EC and Brazilian export subsidies on poultry 5/

In a petition filed in September 1981, the National Broiler Council alleged that the EC violated GATT article XVI and the Subsidies code in using export subsidies that displace U.S. poultry exports to third-country markets. The United States held consultations with the EC under Article 12:3 of the Subsidies code in February 1982. In June 1982, the United States submitted requests for information under article 17 of the code to both the EC and Brazil. Frequent consultations have been held with both the EC and Brazil since 1982. The Subsidies code committee held the first conciliation meeting in November 1983. Conciliation efforts were repeated in 1984 but, due to their lack of success, the United States continued to hold consultations with the parties. In spite of frequent consultations in 1984, a resolution to this case could not be reached. U.S. efforts in formal and informal consultations in both bilateral and trilateral settings yielded no results. 6/

1/ The panel report has not been officially released to the public. However, numerous press reports state that the panel declined to determine whether the EC export subsidies violated specific provisions of the agreement.

2/ See the chap. II sec. entitled "Agreement on Subsidies and Countervailing Duties" for further information.

3/ Inv. no. 301-11.

4/ For further information, see the "Dispute Settlement" sec. of chap. II.

5/ Inv. no. 301-23.

6/ For further details, see sec. of chap. II entitled "Agreement on Subsidies and Countervailing Duties".

EC export subsidies on pasta 1/

In a petition filed in October 1981, the National Pasta Association alleged that the EC violated GATT article XVI and the Subsidies code in using export subsidies on nonprimary products (pasta) which displaced U.S.-produced pasta in U.S. market. The United States requested a Subsidies code panel in April 1982. After several meetings, the panel submitted a report supporting the U.S. allegations to the code committee in May 1984. Although the committee considered the report repeatedly, it could not reach consensus on a decision to adopt the report. Consensus was blocked principally by EC disagreement with the recommendations of the panel. 2/

EC production subsidies on canned fruit and raisins 3/

In a petition filed in October 1981, the California Cling Peach Advisory Board alleged that the EC violated GATT article XVI in granting subsidies on member states' production of canned peaches, canned pears, and raisins. The petitioner claimed the subsidies, which caused EC sales to displace those of non-EC products in the EC, resulted in impairment of EC tariff concessions. Following unsuccessful consultations with the EC under GATT article XXIII(1), a GATT panel was set up to resolve the dispute. After making revisions based on U.S. and EC comments, the panel circulated the report to the Contracting Parties in July of 1984. Since subsequent attempts to arrive at a bilateral settlement have proven unsuccessful, the report will be submitted to the GATT Council for consideration in 1985 and, if adopted, would be released publicly at that time. 4/

Canadian tax and customs measures on front-end loaders 5/

In a petition filed in July 1982, J.I. Case Company alleged that Canada's regulations allowing remission of customs duties and sales tax on certain front-end loaders are unreasonable and discriminatory, burden and restrict U.S. commerce, and violate the GATT and the Subsidies Code. In September 1982 the petition was amended and refiled. The investigation was initiated in October 1982 and public hearings were held. Informal consultations with Canada under GATT article XXII were held December 21, 1982. The USTR has been conducting consultations with the petitioner to obtain more information and determine the course of any further action.

Brazilian import restrictions on nonrubber footwear 6/

In a petition filed in October 1982, the Footwear Industries of America, Inc., alleged that Brazil's import restrictions on nonrubber footwear, which deny U.S. access to the Brazilian market, are inconsistent with the GATT and

1/ Inv. no. 301-25.

2/ For further information, see the sec. of chap. II entitled "Agreement on Subsidies and Countervailing Duties".

3/ Inv. no. 301-26.

4/ For further information, see the "Dispute Settlement" sec. of chap. II.

5/ Inv. no. 301-34.

6/ Inv. no. 301-35.

are unreasonable and/or discriminatory and a burden on U.S. commerce. Consultations were held under GATT article XXII in April 1983. Negotiations are continuing to encourage Brazil to liberalize market access for U.S. footwear exports.

Barriers to U.S. exports of soybean oil and meal

In a petition filed April 6, 1983, the National Soybean Processors Association alleged that the Governments of Argentina, Brazil, Canada, Malaysia, Portugal, and Spain engage in unfair practices, including export and production subsidies and quantitative restrictions, that restrict U.S. exports of soybean oil and meal. In May 1983, the USTR initiated investigations against Brazil (inv. no. 301-40), Portugal (inv. no. 301-41), and Spain (inv. no. 301-42). Consultations with Brazil, requested under article 12 of the Subsidies code, were held in November 1983. Consultations with Portugal and Spain were requested under GATT article XXII and held in November and December, respectively, of 1983.

Additional consultations with Brazil under the GATT Subsidies code are scheduled for April 1985 to discuss Brazil's claim that it has now eliminated subsidy practices in this area. Following GATT article XXII consultations, Portugal agreed to phase out the practice of purchasing foreign soy products through a State trading company and to allow private purchasers to import directly. The USTR is monitoring Portuguese progress on this action. The Spanish case was still pending at the end of 1984.

Petitions withdrawn

Taiwan discrimination against foreign film distributors 1/

In a petition filed in December 1983, the Motion Picture Exporters Association of America alleged that Taiwan discriminates against foreign film distributors. In January 1984, the USTR decided to initiate an investigation. The USTR terminated the investigation on April 26, 1984, as a result of withdrawal of the petition.

EC minimum import prices on raisin imports

In a petition filed July 24, 1984, Sun-Diamond Growers of America alleged that the EC minimum import prices on raisin imports were inconsistent with the GATT. A decision on initiation was due September 6, 1984 but the petition was withdrawn prior to that date.

OTHER IMPORT ADMINISTRATION LAWS

Arrangement Regarding International Trade in Textiles

The Arrangement Regarding International Trade in Textiles, generally known as the Multifiber Arrangement (MFA), controls over 75 percent of U.S.

1/ Inv. no. 301-45.

imports of textiles and apparel. 1/ Originally put into effect in 1974, the MFA has been extended three times. The current arrangement, the MFA III, will expire on July 31, 1986. Negotiations for a new textile trade agreement are scheduled to begin in June 1985.

Forty-two parties, including the European Community as a single signatory, participate in the MFA III. Three countries--the People's Republic of China, the Dominican Republic, and Norway--acceded to the arrangement in 1984. Panama is expected to become a signatory shortly.

The MFA was designed to promote the expansion and liberalization of world trade in textiles while avoiding disruption of markets and production lines. It is an umbrella agreement run by the GATT that provides the legal framework under which bilateral accords are made. As of yearend 1984, the United States had bilateral agreements limiting imports of textiles with 29 nations, of which 25 were negotiated under the provisions of the MFA and 4 others under the authority of section 204 of the Agricultural Act of 1956. 2/ In 1984, Uruguay and the Maldives negotiated agreements with the United States for the first time and Romania renegotiated its agreement covering wool and manmade-fiber products. Agreements with Malaysia and Poland were renegotiated in January 1985. These bilateral agreements enable the United States to set aggregate limits on textile exports to the United States from a particular country and/or to set limits on exports in specific categories or groups of categories. 3/ U.S. bilateral agreements cover articles of cotton, wool, and manmade fibers. Those agreements that were in effect in 1984 are listed in table 23.

Several countries strongly protested new U.S. country-of-origin regulations, charging that they disrupted normal trading patterns established under existing bilateral accords. 4/ The new rules were designed to prevent a country that filled its quota from shipping its products to another country for minor transformation so that the goods could enter through the second country's unused quota. While countries like Hong Kong and China claim that the rules will jeopardize their textile industries, it is too early to discern any changes in actual trading patterns.

1/ For a more complete discussion of the MFA and the MFA bilateral agreements, see The Multifiber Arrangement, 1980-1984, (U.S. International Trade Commission Publication No. 1693, May 1985).

2/ The United States operates bilateral textile agreements with the following 25 MFA signatories: Brazil, China, Colombia, the Dominican Republic, Egypt, Haiti, Hong Kong, Hungary, India, Indonesia, Japan, Korea, Macau, Malaysia, the Maldives, Mexico, Pakistan, the Philippines, Poland, Romania, Singapore, Sri Lanka, Thailand, Uruguay, and Yugoslavia. The MFA nonsignatories with which the United States has bilateral agreements are Costa Rica, Mauritius, Panama, and Taiwan.

3/ The Office of Textiles, U.S. Department of Commerce, has the responsibility for monitoring the agreements. In this capacity, it acts on behalf of the interagency Committee for the Implementation of Textile Agreements (CITA).

4/ For additional discussion of the new U.S. country-of-origin regulations, see chap. II sec. entitled "Textiles".

Table 23.--Bilateral restraint levels on exports of textiles to the United States, by sources, 1984

Source	Expiration date	Fiber coverage	Quantity
			Million equivalent square yards
Brazil-----	Mar. 31, 1985--	Cotton, manmade fiber.	<u>1/</u> 195.9
China-----	Dec. 31, 1987--	Cotton, wool, manmade fiber.	542.1
Colombia-----	June 30, 1986	-----do-----	113.2
Costa Rica-----	Dec. 31, 1987--	Manmade fiber-----	10.4
Dominican Republic:	May 31, 1988--	Cotton, wool, manmade fiber.	42.7
Egypt-----	Dec. 31, 1999--	-----do-----	56.0
Haiti-----	Dec. 31, 1988--	-----do-----	66.4
Hong Kong-----	Dec. 31, 1987--	-----do-----	748.4
Hungary-----	Dec. 31, 1986--	Wool-----	1.8
India-----	Dec. 31, 1987--	Cotton, wool, manmade fiber.	115.0
Indonesia-----	June 30, 1985--	-----do-----	54.4
Japan-----	Dec. 31, 1985--	-----do-----	359.6
Korea-----	Dec. 31, 1987--	-----do-----	990.0
Macau-----	Dec. 31, 1988--	-----do-----	<u>1/</u> 57.9
Malaysia-----	Dec. 31, 1989--	-----do-----	31.6
Maldives-----	Sept. 28, 1985--	Wool-----	N/A
Mauritius-----	Sept. 30, 1985--	Cotton, wool, and manmade fiber.	0.1
Mexico-----	Dec. 31, 1985--	-----do-----	283.0
Pakistan-----	Dec. 31, 1986--	Cotton-----	<u>1/</u> 230.4
Panama-----	Nov. 30, 1985--	Wool-----	0.7
Philippines-----	Dec. 31, 1986--	Cotton, wool, and manmade fiber.	<u>1/</u> 328.7
Poland-----	Dec. 31, 1989--	-----do-----	<u>1/</u> 64.9
Romania <u>2/</u> -----	Dec. 31, 1987--	Cotton-----	56.6
	Dec. 31, 1989--	Wool and manmade fiber.	58.4
Singapore-----	Dec. 31, 1985--	Cotton, wool, and manmade fiber.	<u>1/</u> 333.8
Sri Lanka-----	May 31, 1988--	-----do-----	78.0
Taiwan-----	Dec. 31, 1987--	-----do-----	1025.3
Thailand-----	-----do-----	-----do-----	159.9
Uruguay-----	June 30, 1987--	Wool-----	4.2
Yugoslavia-----	Dec. 31, 1988--	Wool and manmade fiber.	1.0

1/ These quantities represent overall aggregate limits. Other quantities are totals of limits established on individual product categories.

2/ Two separate bilateral restraint agreements are concluded with Romania.

Source: The Multifiber Arrangement, 1980-1984 (U.S. International Trade Commission Publication No. 1693, May 1985).

Meat Import Act of 1979

The U.S. Department of Agriculture (USDA), under the Meat Import Act of 1979, monitors imports and U.S. production of certain meats. 1/ U.S. imports of certain meats, mainly fresh chilled, or frozen beef, are subject to quantitative limitations imposed under authority of the Meat Import Act of 1979 and to voluntary restraint agreements negotiated under the authority of the Agricultural Act of 1956.

In December 1983, the USDA estimated that imports of quota meat in 1984 would amount to 1,190 million pounds, approximately 39 million pounds below the "trigger" level of 1,229 million pounds requiring imposition of quantitative limitations. As a result, no quotas were imposed or voluntary restraint agreements negotiated on the covered categories of meats during 1984. Actual imports of meat controlled by the act amounted to 1,141 million pounds in 1984, 87 million pounds below the trigger level and approximately 49 million pounds below the previous estimate of the Department. On December 26, 1984, the USDA estimated that, in the absence of restraint, 1985 meat imports subject to the law would amount to 1,215 million pounds, 104 million pounds less than the 1985 trigger level of 1,319 million pounds.

The Agricultural Adjustment Act

The International Trade Commission, at the request of the President, conducts investigations under section 22 of the Agricultural Adjustment Act to determine the impact of imports on price-support or other programs of the USDA. 2/

1/ The Meat Import Act of 1979 requires the President to impose quotas on imports of meat if the Secretary of Agriculture determines that annual imports of meat will equal or exceed a specified level. This level is based on U.S. production of meat. Included in the formula is a "counter-cyclical factor" which increases the maximum level of imports if U.S. domestic per capita supplies of meat are low and decreases the allowable level of imports if the domestic supply of meat is high.

2/ Sec. 22 of the Agricultural Adjustment Act (7 U.S.C. 624) directs the Secretary of Agriculture to alert the President if he believes agricultural commodities are being or are practically certain to be imported into the United States in such quantities as to render or tend to render ineffective, or materially interfere with, USDA programs, including price-support programs, or substantially reduce the amount of any product processed from a product covered by a USDA program.

If the President agrees with the Secretary of Agriculture, he directs the Commission to conduct an investigation and develop a report, including findings and recommendations, for his consideration. Following receipt of the Commission's report, the President may impose quotas or duties (not to exceed 50 percent of the imported product's value) to protect the program. In cases in which the Secretary of Agriculture determines that an emergency exists, the President may take action before the Commission investigation and report, and such emergency action continues in effect pending the Commission's eventual report and recommendation.

In September 1984, the President directed the Commission to institute an investigation to determine the impact of imported flue-, fire-, and dark air-cured tobacco and burley tobacco in unmanufactured form 1/ on the USDA's price-support and production-adjustment programs for tobacco. At the close of 1984 the results of this case (No. 22-47) were pending. 2/

Quantitative limits imposed in previous years under the authority of section 22 continued in effect throughout 1984 on cotton of certain specified staple lengths, cotton waste and certain cotton products; peanuts; certain dairy products; and sugar and certain sugar sirups and sugar-containing articles.

National Security Import Restrictions

The Office of Industrial Resource Administration (OIRA) of the Department of Commerce completed one investigation in 1984 under section 232 of the Trade Expansion Act of 1962 (19 U.S.C. 1862) 3/ on metal-cutting and metal-forming machine tools to determine the effects of imports of the subject articles on the national security of the United States. The OIRA, on February 27, 1984, submitted its findings on the machine tool industry to the President. At the close of 1984, since the President had not acted on the report, the findings remained confidential.

The embargo on imports of crude oil produced in Libya (Presidential Proclamation No. 5141) remained in effect throughout 1984. 4/ Libyan policies and actions aided by proceeds from the exportation of oil to the United States were declared in 1982 to be adverse to the national security of the United States.

Caribbean Basin Economic Recovery Act

The tariff provisions of the Caribbean Basin Economic Recovery Act (CBERA), 5/ commonly referred to as the Caribbean Basin Initiative (CBI), went into effect in 1984. The CBI was signed into law in August 1983 and became

1/ Provided for in items 170.20, 170.25, 170.32, 170.35, 170.40, 170.45, 170.50, 170.60, and 170.80 of the Tariff Schedules of the United States.

2/ On Feb. 11, 1985 the Commission advised the President that these tobacco products were not being imported in such quantities as to materially interfere with USDA tobacco programs.

3/ Sec. 232 requires the Secretary of Commerce upon request or upon his own motion, immediately to initiate an investigation to determine the effects of imports of an article on the national security. If the Secretary finds the article is being imported in such quantities or under such circumstances as to threaten to impair the national security, the Secretary must advise the President. Unless the President reverses this finding, the President must take whatever action for any duration he considers necessary to control the imports of the article and its derivatives so imports will not threaten to impair the national security.

4/ Sec. 232 authorizes the President to impose restrictions on imports that threaten to impair the national security. This authority traditionally has been used by the President to impose quotas and fees on imports of petroleum and petroleum products.

5/ Public Law 98-67, title II.

fully effective on January 1, 1984. A 12-year program, the CBI is designed to foster economic development in the Caribbean Basin by providing a combination of trade preferences, aid, and investment incentives to eligible countries. 1/

The centerpiece of CBI is a one-way trade preference program that allows duty-free access of eligible products to the U.S. market, provided 35 percent of their value is added in a Caribbean Basin country participating in the program. CBI preferences constitute one of three major duty-free or duty-reduction programs available to Caribbean countries from the United States. The other two, which have been in effect for years, are the Generalized System of Preferences 2/ and duty provisions under TSUS items 806.30 and 807.00. The latter provisions reduce duties for products that originate in the United States but have been further processed or assembled in a foreign country. 3/ Table A-11 shows imports from the Caribbean region in 1984 separately under these preference programs. Duty-free imports under CBI privileges totaled \$578 million in 1984 or 6.5 percent of total U.S. imports from the region.

Out of 27 potential beneficiaries, the President of the United States initially designated 20 for CBI trade benefits. This number had not changed by the end of 1984. The list of all designated and nondesignated Caribbean countries (and the overall U.S. imports from them in 1982-84) is shown in table 24. The table shows the Bahamas in the nondesignated group since the eligibility of this country as the 21st beneficiary was announced early in 1985. 4/

In 1984, total U.S. imports from the Caribbean Basin amounted to \$8.9 billion (table A-11). This was slightly down from such imports in 1983, reflecting declining Caribbean shipments of crude oil and refined oil products to the United States. Imports of oil and oil products, which account for nearly half of all U.S. imports from the region, are not eligible for duty-free treatment under CBI (or any other preferential program.) 5/ The imports of these product groups from the Caribbean Basin in 1984 are shown in appendix table A-12. Discounting the oil-related trade, U.S. imports from the Caribbean have increased in 1984.

The leading import items from the Caribbean Basin are shown in table A-13. Principal nonoil products included coffee, sugar, fresh bananas, beef, bauxite, and nitrogenous fertilizers. Table 25 shows the principal import items from the Caribbean that entered the United States under the CBI program. Many also appear on table A-13 among leading import items from the

1/ For a discussion of the CBI and its implications, see the sec. entitled "Caribbean Basin Initiative", Operation of the Trade Agreements Program, 35th Report, 1983 p. 25.

2/ For a discussion of GSP, see the next sec. in this chapter.

3/ See Imports Under Items 806.30 and 807.00 of the Tariff Schedules of the United States, 1979-82, (U.S. International Trade Commission Publication 1467, January 1984).

4/ For the criteria the President must consider for designating a country for CBI benefits, see Operation of the Trade Agreements Program, 35th Report, 1983 pp. 27-28.

5/ In addition to petroleum and petroleum products, textile and apparel, footwear, luggage, handbags, leather wearing apparel, canned tuna, and some other products are also ineligible for CBI preferences.

Table 24.--U.S. imports for consumption from the Caribbean Basin, by country, designated or nondesignated for CBI benefits, 1982-84

(Customs value, in thousands of dollars)			
Country	1982	1983	1984
Designated countries:			
Caricom (except Guyana):			
Antigua-----	4,890	8,809	7,898
Barbados-----	106,631	202,047	252,598
Belize-----	38,464	27,315	42,843
Dominica-----	2,372	242	86
Grenada-----	401	211	766
Jamaica-----	278,108	262,360	396,949
Montserrat-----	749	924	989
St. Christopher-Nevis-			
Anguilla <u>1/</u> -----	11,557	18,758	23,135
St. Lucia-----	4,703	4,700	7,397
St. Vincent and Grenadines--	1,394	4,276	2,958
Trinidad and Tobago-----	1,628,392	1,317,534	1,360,106
Subtotal-----	2,077,661	1,847,175	2,095,724
Central America (except			
Nicaragua):			
Costa Rica-----	358,127	386,520	468,633
El Salvador-----	310,022	358,898	381,391
Guatemala-----	330,142	374,692	446,267
Honduras-----	359,553	364,742	393,769
Panama-----	250,764	336,086	311,627
Subtotal-----	1,608,608	1,820,937	2,001,687
Other designated:			
British Virgin Islands-----	892	880	1,335
Dominican Republic-----	622,510	806,520	994,427
Haiti-----	309,860	337,483	377,413
Netherlands Antilles-----	2,106,750	2,274,510	2,024,367
Subtotal-----	3,040,012	3,419,394	3,397,542
Total designated-----	6,726,281	7,087,506	7,494,954
Nondesignated countries:			
Bahamas-----	1,045,217	1,676,394	1,154,282
Cayman Islands-----	14,830	8,607	6,212
Guyana-----	70,655	67,332	74,417
Nicaragua-----	86,875	99,013	58,064
Suriname-----	60,147	63,147	104,636
Turks and Caicos Islands-----	3,556	3,965	3,935
Total nondesignated-----	1,281,280	1,918,459	1,401,545
Grand total, Caribbean Basin-----	8,007,561	9,005,965	8,896,499

1/ St. Christopher-Nevis and Anguilla count as two designated countries.

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

Table 25.--Leading items in U.S. imports for consumption from the Caribbean Basin, by descending value of CBI duty-free imports, 1984

TSUS item no.	Item	Total U.S. imports for consumption from CBI	Duty-free under CBI	Share of CBI duty- free to total CBI	Leading CBI source
155.20	Sugars, Sirups, and molasses	443,667	207,334	46.7	Dominican Republic
106.10	Beef and veal	99,822	81,223	81.4	Costa Rica
687.74	Monolithic integrated circuits	217,819	58,622	26.9	El Salvador
169.14	Rum (including cana paraguayaya)	32,258	31,684	98.2	Jamaica
170.35	Cigarette leaf	36,212	30,501	84.2	Panama
170.70	Cigars	36,888	14,860	40.3	Dominican Republic
685.80	Electrical capacitors	38,953	9,296	23.9	El Salvador
170.32	Filler tobacco leaf	8,490	8,014	94.4	Guatemala
165.35	Citrus fruit juices	7,678	7,658	99.7	Belize
148.96	Pineapples	9,527	7,561	79.4	Honduras
686.10	Resistors	29,003	7,246	25.0	Barbados
688.43	Electrical articles and parts	16,692	6,985	41.8	-----do-----
170.45	Filler tobacco	6,700	5,471	81.7	Dominican Republic
685.90	Electrical switches	94,034	5,441	5.8	Haiti
136.00	Pasheens	6,206	5,207	83.9	Dominican Republic
170.40	Filler tobacco	5,603	4,765	85.0	-----do-----
170.60	Strap tobacco	6,662	4,392	65.9	-----do-----
737.30	Toy figs, springless	6,603	2,917	44.2	Haiti
152.72	Bananas and plantain	4,153	2,614	62.9	Costa Rica
148.03	Mangoes	3,686	2,590	70.3	Haiti
	Total, above items	1,110,655	504,381	45.4	
	Total, all items from CBI	8,896,499	577,704	6.5	

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

area in general. While imports under CBI privileges are dominated by agricultural products (sugar, beef, rum, tobacco, and citrus juices), they also include industrial products, mostly electrical items and toys.

U.S. Customs Service requirements in effect throughout 1984 for showing eligibility under CBI had been simplified by the end of the year. 1/ It is believed that these new, less-cumbersome regulations will boost CBI trade.

Since the CBI was first proposed in February 1982, the United States has steadily increased economic assistance to the region. Such assistance will amount to an estimated \$1.5 billion in fiscal year 1985. 2/ The CBI also contains legislative incentives to encourage investment in the Caribbean Basin. Its provisions permit U.S. firms to deduct from their taxes convention expenses incurred in CBI beneficiary countries, thereby fostering investment into the region's tourism. In general, the U.S. Government instituted a very broad program of investment promotion for the area, which includes providing guidance to U.S. firms wishing to establish business in the Caribbean.

GSP Review

The results of the last annual review under the original Generalized System of Preferences of the United States became effective on March 30, 1984. 3/ The review was based on 1983 trade data. In January 1985, GSP was extended in a revised form, providing for different review proceedings and schedules. 4/

The U.S. GSP is a temporary tariff preferences scheme designed to offer the products of developing countries a price advantage over other imports in U.S. markets. 5/ Nonreciprocal duty-free treatment for designated articles is intended to help beneficiary developing countries to become more competitive in international markets and to diversify their economic structures away from production of primary goods. The U.S. GSP scheme is administered by USTR.

In the 1984 product review, 22 products, representing imports of \$7 million in 1983, were added to the list of GSP-eligible items, compared with an addition of \$10 million (based on trade in 1982) in the previous

1/ Revised CBI Customs regulations were published in the Federal Register, (19 CFR 10) Dec. 7, 1984, and went into effect Jan. 7, 1985.

2/ Business America, Jan. 7, 1985, p. 3.

3/ Under the original GSP, the list of items eligible for GSP duty-free treatment had been subject to an annual review by the interagency Trade Policy Staff Committee, chaired by a representative of the USTR. In the review, products were added to or deleted from the list of eligible articles; also, products of certain beneficiary countries were excluded from or reinstated to eligibility for GSP treatment on the basis of competitive-need limits or by the President's discretionary authority to "graduate" countries for particular products.

4/ Major changes include provisions that favor the least-developed countries versus the more affluent ones and give the President greater authority in determining country eligibility and product-specific benefit levels.

5/ The original U.S. GSP scheme was established under the Trade Act of 1974 for a period of 10 years. The program expired on Jan. 4, 1985. For more details, see "GSP Renewal" in chap. I.

review. Meanwhile, three products, with a 1983 import value of \$33 million were removed from the program because of import sensitivity. This compares with removals amounting to \$76 million in the previous review.

Under the statutory competitive-need provision, products accounting for \$10.7 billion in 1983 imports were removed from the GSP list, 1/ making them subject to MFN rates of duty effective March 31, 1984. Removals based on competitiveness amounted to \$7.1 billion in the previous review (based on trade in 1982).

Moreover, the President "graduated" 2/ \$1.2 billion in 1983 imports from duty-free treatment under his discretionary authority compared with \$900 million in the previous review. Items that were graduated in earlier years and have not been redesignated to GSP eligibility in 1984 are responsible for most new graduations. The value of products of advanced beneficiary countries (ABC's) removed from GSP eligibility in the latest review in response to petitions of affected parties totaled \$183 million (based on imports in 1983.) 3/ Almost three-fourths of these new graduations of ABC products are accounted for by Taiwan, the remainder by imports from Korea and Hong Kong.

Exclusions from eligibility under both statutory and discretionary provisions totaled \$11.9 billion. For the first time in the 10-year history of the GSP, the value of exclusions (based on 1983 trade) has exceeded the value of imports actually receiving GSP treatment (\$10.8 billion in 1983).

In 1984, 140 countries and territories were eligible for GSP tariff treatment on over 3,000 items, with manufactures and semimanufactures accounting for a large share. The United States imported products worth \$13 billion duty free under this system in 1984 (table 26) compared with \$10.8 billion in 1983. Duty-free imports under the GSP accounted for 4 percent of overall U.S. imports and 13 percent of GSP-eligible imports during the year.

1/ There are two competitive-need limits. The first, expressed in dollars, changes yearly to reflect the growth of United States gross national product. In 1984, 140 countries and territories were eligible for GSP tariff treatment on over 3,000 items, with manufactures and semimanufactures accounting for a large share. For the purposes of this last review, the dollar limit was \$57.7 million. The other limit is 50 percent of the appraised value of total imports. Each limit is applicable to each GSP eligible article from a beneficiary country. The so-called competitive-need provisions of the GSP law establish dollar and import-share limits on the amount of any item that can be imported duty free in any year for any single country. For a more detailed discussion of the U.S. and foreign GSP schemes, see Operation of the Trade Agreements Program, 32d Report, 1980, p. 226.

2/ Graduation is recognition that a beneficiary country does not currently need GSP treatment for particular products in order to be competitive.

3/ A report to Congress by the President found 5 countries (Brazil, Hong Kong, Korea, Mexico, and Taiwan) to be the most advanced beneficiary countries in 1979, having obtained a combined disproportionate share (nearly 70 percent) of total benefits (U.S. President, Report to Congress on the First 5 Years of the Operation of the U.S. GSP Program, April 17, 1980)..

Table 26.--U.S. imports 1/ for consumption 2/ from GSP beneficiary countries by development status 3/, 1984

Item	Advanced GSP beneficiaries	Middle-income GSP beneficiaries	Low-income GSP beneficiaries	Total, all beneficiary countries	Total, all countries
Total imports-----thousand dollars---	\$62,591,351	\$42,482,408	\$870,535	\$105,944,294	\$320,441,971
GSP-eligible products-----do-----	24,745,442	4,926,473	234,117	29,906,032	99,509,858
Duty-free under GSP-----do-----	9,629,546	3,275,696	90,618	12,995,860	12,995,860
Competitive-need exclusions-----do-----	12,286,373	780,936	32,899	13,100,208	13,100,208
Other-----do-----	2,829,523	869,841	110,599	3,809,964	73,413,791
Noneligible product imports-----do-----	37,845,909	37,555,935	636,418	76,038,262	220,932,112
Ratio of:					
GSP-eligible imports to total imports-----percent-----	39.5	11.6	26.9	28.2	31.1
GSP duty-free imports to GSP eligible imports-----do-----	38.9	66.5	38.7	43.5	13.1
Competitive-need exclusions to GSP-eligible imports-----do-----	49.7	15.9	14.1	43.8	13.2
Other imports to GSP-eligible imports-----do-----	11.4	17.7	47.2	12.7	73.8
GSP duty-free to total imports-----do-----	15.4	7.7	10.4	12.3	4.1
Country group share of total GSP duty-free imports-----do-----	74.1	25.2	0.7	100.0	100.0
Country group share of total competitive-need exclusions-----do-----	93.8	6.0	0.3	100.0	100.0

1/ Customs-value basis.

2/ In this and other tables in this section, U.S. import data exclude entries into the U.S. Virgin Islands, which totaled \$2.5 billion in 1984. This is consistent with the concept of U.S. imports used in the GSP program for the competitive-need determinations.

3/ For the purposes of this table, advanced GSP beneficiaries include Taiwan, Korea, Hong Kong, Mexico, Brazil, Singapore, and Israel. The low-income GSP beneficiary category includes the 26 countries designated as least-developed developing countries in headnote 3(d) of the Tariff Schedules of the United States. The middle-income category includes the other 107 countries currently eligible.

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

Seven advanced beneficiary countries (as defined in footnote 3 of table 26) supplied over 74 percent of overall U.S. imports that received duty-free treatment under the GSP in 1984 (table 27). These countries--Taiwan, Korea, Hong Kong, Brazil, Mexico, Israel, and Singapore--were the leading GSP suppliers of the United States. GSP-duty-free imports from the ABC's amounted to \$9.6 billion in 1984. GSP imports from middle-income beneficiaries totaled \$3.3 billion, accounting for over 25 percent of the total. Low-income beneficiaries were responsible for less than 1 percent of all GSP imports. Table V-5 shows duty-free imports under GSP separately for the 7 ABC's, and the ratio of such imports to GSP-eligible and total U.S. imports from these countries in 1984. These leading beneficiaries of the GSP program were the same in 1984 as in 1983. The leading GSP importer, in terms of value, was Taiwan. GSP imports from Taiwan amounted to \$3.2 billion in 1984 and were responsible for one-fourth of all U.S. imports under the program. The highest share of overall imports from any country that entered the United States duty free under GSP was from Israel (37.8 percent). By contrast, only 6.2 percent of overall U.S. imports from Mexico entered under GSP, since petroleum, the dominant item in this trade flow, is not GSP eligible.

Based on a five-digit TSUS classification system, sugar continue to account for the largest value among all GSP-eligible items entering the United States duty free in 1984 (table A-14). Eighty-eight percent of overall U.S. sugar imports was GSP eligible during the year and 52 percent of eligible imports entered duty free. Table A-15 lists GSP-eligible imports by two-digit divisions of the Standard International Trade Classification (SITC). Table A-16 gives the same information by divisions of the Standard Industrial Classification (SIC).

Table 27.--U.S. imports under the GSP from advanced GSP beneficiary countries, 1984

Rank	Source	Total value	U.S. imports of GSP eligible articles	Share of eligible to total	GSP imports	Share of GSP to eligible	Share of GSP to total	Country share of GSP total
		Million dollars	Million dollars	Percent	Million dollars	Percent	Percent	Percent
		dollars	dollars		dollars			
1	Taiwan	14,706	7,780	52.9	3,225	41.4	21.9	24.8
2	Korea	9,295	2,996	32.2	1,504	50.2	16.2	11.6
3	Hong Kong	8,229	4,001	48.7	1,325	33.1	16.1	10.2
4	Brazil	7,208	1,889	26.2	1,196	63.3	16.6	9.2
5	Mexico	17,762	5,276	30.2	1,092	20.7	6.2	8.4
6	Israel	1,749	744	42.6	660	88.8	37.8	5.1
7	Singapore	3,939	2,058	52.3	627	30.4	15.9	4.8
	Top 7	62,591	24,745	39.5	9,630	38.9	15.4	74.1
	World	322,990	29,906	9.3	12,996	43.5	4.1	100.0

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

APPENDIX A
STATISTICAL TABLES

Table A-1.--Leading items exported to Israel, by Schedule B items, 1982-84

Schedule: B Item No.:	Description	(In thousands of dollars)			
		1982	1983	1984	
694.65	Parts for aircraft and spacecraft-----	178,592	212,649	297,801	
685.90	Electrical apparatus for making, breaking, protecting, or connecting to electrical circuits, switchboards, and control panels, parts thereof.	70,241	63,615	113,984	
175.41	Soybeans, other than seed for planting-----	116,753	99,919	96,892	
694.40	Airplanes-----	911	149,255	95,311	
685.60	Radio navigational aid apparatus, radar apparatus, and radio remote control apparatus, and parts thereof.	33,047	56,270	89,932	
130.65	Wheat-----	86,124	60,931	86,212	
130.40	Grain sorghum-----	40,473	54,607	73,644	
676.28	Digital central processing units, auxiliary storage units, input units, output units, and combinations thereof.	42,469	58,761	57,652	
676.55	Parts of automatic data processing, photocopying, calculating, accounting and similar machines incorporating a calculating mechanism.	30,957	40,921	55,997	
660.52	Parts of piston-type engines, other than compression-ignition engines--	12,300	19,239	37,810	
687.60	Electronic tubes, transistors, integrated circuits, diodes, rectifiers, mounted piezoelectric, related electronic crystal components, parts.	22,614	26,325	36,502	
520.32	Diamonds, weighing not over 0.5 carat-----	2,410	27,039	35,379	
688.40	Electrical articles n.s.p.f., and electrical parts of articles n.s.p.f.	38,925	41,964	28,458	
678.50	Machines n.s.p.f., and parts thereof-----	14,979	15,779	28,342	
660.10	Steam and other vapor generating boilers, except low pressure central hot water boilers, and parts thereof.	11,474	23,456	22,084	
682.60	Generators, motor-generators, rotating converters, rectifiers and rectifying apparatus, coils, inductors, lamp ballasts, and parts thereof.	10,953	13,113	21,652	
712.50	Instruments and apparatus for measuring or checking electrical quantities, except electrical meters, and parts thereof.	11,509	13,321	21,501	
252.78	Unbleached kraft wrapping and packaging paper and paperboard, not impregnated, coated, embossed, ruled, lined printed, nor decorated--	18,074	20,049	20,931	
684.62	Electrical telegraph (including printing and typewriting) and tele- phone apparatus and instruments; and parts thereof, n.s.p.f.	13,813	21,442	20,824	
674.54	Work holding and positioning devices, and numerical controls, parts, and accessories for metal working and other machine tools.	6,851	7,002	19,049	
	Total-----	763,466	1,025,657	1,259,958	
	Total, U.S. exports to Israel-----	1,528,792	1,715,348	1,927,094	

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

Note.--Because of rounding, figures may not add to the totals shown.

Table A-2.--Leading items imported from Israel, by TSUS items, 1982-84

TSUS Item No.:	Description	(In thousands of dollars)			
		1982	1983	1984	
520.32	Diamonds not over 1/2 carat, cut, not set, suitable for jewelry-----	315,416	342,353	399,547	
520.33	Diamonds over 1/2 carat, cut, not set, suitable for jewelry-----	95,739	132,145	259,524	
694.41	Airplanes and parts thereof of civil aircraft and spacecraft-----	78,878	37,964	85,345	
740.14	Jewelry and other objects of personal adornment, of precious metals, n.e.s.	44,185	48,028	51,991	
800.00	United States goods returned-----	30,194	37,958	46,973	
740.13	Necklaces and neck chains, not rope or mixed link, almost wholly of gold.	41,612	41,288	45,314	
709.63	X-ray apparatus and parts thereof, excluding x-ray tubes, and parts of tubes.	31,793	45,281	41,915	
480.50	Potassium chloride or muriate of potash-----	56,744	41,431	38,575	
709.17	Electro-medical, excluding electro-surgical, apparatus, and parts thereof.	4,576	16,635	33,766	
676.30	Office machines, n.s.p.f.-----	12,662	15,984	32,025	
684.62	Telephonic apparatus and instruments and parts-----	22,156	34,200	24,900	
688.43	Other electrical articles and electrical parts of articles, n.s.p.f.-----	1/ 1,473	4,280	24,729	
694.67	Parts of aircraft, excluding civil aircraft and spacecraft, n.e.s.-----	-- 17,797	9,656	24,443	
520.38	Emeralds, cut but not set, and suitable for use in the manufacture of jewelry.	17,132	17,857	19,565	
772.51	Pneumatic tires, n.e.s.-----	14,302	15,722	16,547	
682.60	Generators, motors, motor-generators, converters, transformers, rectifiers, rectifying apparatus, inductors, other electrical good, parts, n.e.s.	5,530	4,707	15,192	
692.32	Parts n.s.p.f. of motor vehicles, not alloyed nor advanced beyond cleaning, partly machined.	8,028	9,396	14,138	
649.43	Cutting tools, except files and rasps, with cutting part over 0.2 percent chromium, molybdenum, or tungsten, or over 0.1 percent vanadium.	7,382	6,817	12,348	
657.25	Other articles of iron or steel n.e.s., not coated or plated with precious metal.	2,355	2,287	10,579	
774.55	Copper clad laminates, flexible plastic document binders, and other articles of rubber or plastics, n.s.p.f.	5,137	7,207	10,511	
	Total-----	813,093	871,195	1,207,928	
	Total, U.S. imports from Israel-----	1,162,129	1,250,228	1,748,684	
	1/ Prior to Aug. 1, 1982, this item was classified under the now-deleted and more comprehensive item 688.45.				

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

Note.--Because of rounding, figures may not add to the totals shown.

Table A-3.--Countervailing duty actions reported by signatories to the GATT Committee on Subsidies and Countervailing Measures, 1984

Reporting country	Action taken against	Product	Initiation date	Provisional measures	Final outcome
Australia	France	Brandy	2-23-84	3-12-84	7-26-84 - Price undertakings.
	Greece	Dried vine fruit	6-18-84	8-6-84	
	Italy	Cherries in brine	7-4-84	7-5-84	
	New Zealand	Refrigerator display	12-20-84		
	do	Stainless steel tubing	8-31-84		
	Norway	Rindless swiss type cheese	6-20-84	9-13-84	
Canada	Denmark	Canned hams and picnics	12-16-83	4-12-84	8-7-84 - Definitive duty.
	EC	Canned pork based luncheon meat	2-27-84	5-4-84	-----do-----
	Holland	Canned hams and picnics	12-16-83	4-12-84	
	Netherlands	Canned picnic	12-16-83	4-12-84	
	Spain	Wide flange steel beams	9-25-84		
Chile	Argentina	Lining fabrics of continuous filament yarns	7-11-84		
	do	Zinc oxide	8-10-84		8-7-84 - No injury.
	do	Calcium carbide	6-8-84		
	Brazil	do	do		
	do	Detonating fuses	1-14-84		
	do	Lining fabrics of continuous filament yarns	7-11-84		
	do	Flags and ceramic tiles for flooring and wall-facing.	4-25-84		
	do	Single-phase electricity meters	8-10-84		
	do	Sandpaper	3-3-84		
	do	Vermicelli (pasta)	7-7-84		
	Colombia	Lining fabrics of continuous filament yarns	7-11-84		
	Peru	Zinc oxide	8-10-84		
	do	Detonating fuses	1-14-84		
	Korea	do	do		
	Spain	do	do		
	do	Sinks, bathtubs, and gas water-heaters	6-29-84		
	Taiwan	Tires and inner tubes for bicycles	7-7-84		
EC	Brazil	Soya cakes	3-17-84		
	Spain	Malleable tube fittings	5-31-83	11-19-83	3-17-84 - Definitive duty.
Japan	Pakistan	Carded cotton yarn	4-20-83		2-28-84 - No subsidy.
					2-22-84 - Case withdrawn.

Source: Compiled from documents of the GATT Committee on Subsidies and Countervailing Measures.

Table A-4.--Antidumping actions reported by signatories to the GATT Committee on Antidumping practices, 1984

Reporting country	Action taken against	Product	Initiation date	Provisional measures	Final outcome
Australia	Austria	Dextrose monohydrate	8-2-83		5-24-84 - Definitive duty.
	Belgium	Air compressors	7-18-83		3-23-84 - No injury.
	do	Electric filament lamps	5-18-83	8-5-83	2-17-84 - Definitive duty.
	do	Phosphoric acid	4-27-83		2-17-84 - No injury.
	Brazil	Phthalic anhydride	10-31-84		
	Canada	Fluorescent lamps (20w and 40w)	12-19-83		
	do	Paper cold drink cups	10-7-83	12-11-84	4-10-84 - No injury.
	do	Polystyrene	12-30-83	10-26-83	7-18-84 - Definitive duty.
	China	Candles	5-28-84		
	do	Ceramic tableware	6-1-83		4-17-84 - Definitive duty.
	do	Male industrial overalls	8-12-83		5-9-84 - Definitive duty.
	do	Paint brushes	2-7-84		10-26-84 - Price undertakings.
	do	Passenger car tires	2-2-84		4-13-84 - No injury.
	do	Steel jerricans	4-18-84		6-25-84 - Case withdrawn.
	do	Passenger car tires	2-2-84		4-13-84 - No injury.
	Czechoslovakia	Polyester woven wool worsted fabric	5-28-84		7-18-84 - No injury.
	do	Fluorescent lamps	9-28-84		
	E. Germany	Influenza vaccine	3-15-84		
	France	Polystyrene	12-30-83	12-11-84	7-17-84 - No dumping.
	do	Polyvinyl chloride general purpose	10-31-83	4-6-84	7-18-84 - Definitive duty.
	Hong Kong	Detergent powder	12-9-83		6-14-84 - No dumping.
	do	Ceiling sweep fans	11-1-83		8-21-84 - Definitive duty.
	Hungary	Fluorescent lamps	9-28-84	12-11-84	
	Israel	Phthalic anhydride	10-31-84		
	Italy	Cherries in brine	2-10-84	4-2-84	6-26-84 - Definitive duty.
	do	Dextrose monohydrate	9-28-84		
	do	Pasta	12-23-83	3-1-84	7-27-84 - Definitive duty.
	do	PVC general purpose homopolymer	12-24-84		
	Japan	Dishwashers	3-1-83		6-12-84 - Definitive duty.
	do	Empty gelatin capsules	11-7-83	11-17-83	6-29-84 - Definitive duty.
	do	Fire protection cabinets	6-27-83		4-27-84 - Definitive duty.
	do	Gas space heaters	1-16-84		3-16-84 - No injury.
	do	Malleable cast iron pipe fittings	1-2-83		2-13-84 - No injury.
	do	Phosphoric acid	4-24-84		11-29-84 - Definitive duty.
	do	Small diameter welded carbon steel pipes and tubes.	12-29-83	3-20-84	9-26-84 - Definitive duty.
	do	Fluorescent lamps	9-28-84	12-11-84	
	do	Domestic gas meters	8-1-84		9-26-84 - Definitive duty.
	do	Gas space heaters	6-21-84		
	do	Polypropylene film braxially oriented	5-28-84		7-25-84 - Case withdrawn.
	do	Phosphoric acid	4-24-84		11-29-84 - Definitive duty.
	do	Expoxidised soya bean oil	5-18-83		3-2-84 - No injury.
	Netherlands	Polyvinyl chloride general purpose homopolymer	10-31-83		4-6-84 - No dumping.
	do	Dishwashers	8-4-83		2-21-84 - No injury.
	New Zealand	Gas space heaters	1-16-84		3-16-84 - No injury.
	do	Gas space heaters	6-21-84		10-26-84 - No dumping.
	do	Refrigerators, display	6-1-84		
	do	Sparkplugs-replacement	11-30-82		5-21-84 - Definitive duty.
	do	Yacht winches and handles	11-16-83		2-20-84 - No injury.
	do	Chamois leather	7-20-84		9-20-84 - No injury.

Table A-4. Antidumping actions reported by signatories to the GATT Committee on Antidumping practices, 1984—Continued

Reporting country	Action taken against	Product	Initiation date	Provisional measures	Final outcome
Australia—con't	Philippines	Fluorescent lamps	12-19-84	12-11-84	8-8-84 - No dumping.
	do	Polyolefin bags	1-23-84	3-19-84	6-29-84 - Definitive duty.
	Korea	Power transformers	11-17-81	6-24-82	8-6-84 - No injury.
	do	PVC resin paste	12-22-83	3-28-84	9-26-84 - Definitive duty.
	do	Small diameter welded carbon steel pipe and tube.	12-29-83		
	do	DI-Octyl phthalate	9-10-84	12-20-84	
	do	Polystyrene	7-31-84		
	do	Waxed cotton motor cycle garments	9-24-84		
	Singapore	Small diameter welded carbon steel pipe and tube	12-29-83	3-28-84	9-26-84 - Definitive duty.
	do	Dextrose monohydrate	9-28-84		
	do	do	do	3-8-84	
	S. Africa	Polyvinyl chloride general purpose homopolymer	10-31-83	4-6-84	
	do	Toughened glass panels	1-24-84		6-12-84 - No dumping.
	do	Instrument transformers	6-23-82		4-19-84 - No dumping.
	do	Painted hardboard	9-22-83		5-15-84 - Definitive duty.
	do	DI-Octyl phthalate	8-22-84		
	do	Pneumatic house couplings	3-14-83		4-13-84 - No dumping.
	do	Alloy steel chain and fittings	6-4-84		
	Taiwan	Centre lathes	3-9-84	11-17-84	
	do	Power transformers	11-17-81	6-24-82	10-31-84 - No injury.
	do	Phthalic anhydride	10-31-84		6-29-84 - Definitive duty.
	do	Small diameter welded carbon steel pipe and tube	12-29-83	6-15-84	5-7-84 - No injury.
	do	Toothpaste	7-7-83	8-15-83	9-26-84 - Definitive duty.
	do	Polystyrene	12-30-83		3-16-84 - Case withdrawn.
	do	Fluorescent lamps	9-28-84	1-21-85	7-18-84 - No dumping.
	do	Small diameter welded carbon steel pipe and tube	6-13-84	10-11-84	
	do	Toothpaste	7-7-83	8-15-83	3-16-84 - Price undertakings.
	do	Fluorescent lamps	9-28-84	12-11-84	
	do	Vinyl acetate monomer	9-6-84		7-14-84 - No dumping.
	do	Fluorescent lamps	9-28-84	12-11-84	
	do	Coating crumb	8-12-83		5-8-84 - Definitive duty.
	United Kingdom	Dextrose monohydrate	8-2-83		5-24-84 - Definitive duty.
	do	Polyvinyl chloride general purpose homopolymer	10-31-83		4-6-84 - Definitive duty.
	do	Power capacitors	2-24-83		2-21-84 - No injury.
	do	Battery operated work trucks	10-18-84		2-29-84 - Definitive duty.
	United States	Dental amalgam alloy capsules	8-12-83	9-24-84	
	do	Outboard motors	1-16-84		9-18-84 - Price undertakings.
	do	Pallet trucks	6-7-84	10-26-83	4-10-84 - No injury.
	do	Paper cold drink cups	10-7-83		8-7-84 - No injury.
	do	Process cooling systems	2-14-84		1-10-84 - No injury.
	do	Propylene glycol industrial	2-15-83		5-25-84 - Definitive duty.
	do	Sodium carbonate	1-6-84		5-21-84 - Definitive duty.
	do	Spark plugs - replacement	11-30-82		1-16-84 - No dumping.
	do	Stainless steel repair clamps	12-1-83		6-25-84 - Case withdrawn.
	do	Steel ferricans	4-18-84		
	U.S.S.R.				

Table A-4. Antidumping actions reported by signatories to the GATT Committee on Antidumping practices, 1984--Continued

Reporting country	Action taken against	Product	Initiation date	Provisional measures	Final outcome
Australia--con't	West Germany	Basalt-lined steel pipe and fittings	6-8-84		8-8-84 - No injury.
	do	Cold rolled sheet and coil steel	12-23-83		2-8-84 - No injury.
	do	Diagnostic reagent strips	1-25-84		8-24-84 - Definitive duty.
	do	Epoxidised soyabean oil	5-18-83		3-2-84 - No injury.
	do	Hot-dipped zinc coated sheet and coil steel	12-23-83		2-8-84 - No injury.
	do	Polystyrene	12-30-83		7-18-84 - Definitive duty.
	do	Polyvinyl chloride general purpose homopolymer	4-6-84		
	do	Power capacitors	2-24-83		2-21-84 - No injury.
	do	Alloy steel chain and fittings	6-4-84		9-18-84 - No dumping.
	do	Supermarket trolleys	5-28-84		7-18-84 - No dumping.
	do	Fluorescent lamps	9-28-84	12-11-84	
	do	Power transformers	8-22-84		10-11-84 - No injury.
	do	Titanium dioxide pigments	8-9-84		10-16-84 - Case withdrawn.
	do	Alloy tool steel bars, plate and forgings	8-22-84		
	do	Wooden clothespins	5-22-84		
Canada	Austria	Commercial china tableware	4-11-84		7-10-84 - No injury.
	China	Wooden clothespins	8-18-83		8-1-84 - Definitive duty.
	do	Wooden clothespins	5-22-84		10-30-84 - Definitive duty.
	do	Recreational camping tents	6-15-84		9-4-84 - Definitive duty.
	do	Hog bristle paint brushes	8-23-83		3-22-84 - Definitive duty.
	do	Camping tents	6-15-84		
	do	Wooden clothespins	5-22-84		8-1-84 - Definitive duty.
	do	Camping tents	9-12-83		2-28-84 - No injury.
	do	Wooden clothespins	5-22-84		
	do	Camping tents	9-12-83		2-28-84 - Definitive duty.
	do	Power conversion systems	3-19-84		11-2-84 - Definitive duty.
	do	Shotshells and rimfire	10-31-83		2-21-84 - Case withdrawn.
	do	Aluminum alloy alpine ski poles	11-10-83		5-14-84 - Definitive duty.
	do	Photo albums with self-adhesive leaves and/or components parts thereof.	7-13-84		12-28-84 - Definitive duty.
	do	Self adhesive leaves	do		
do	Stainless steel bars	7-17-84		12-19-84 - No injury.	
do	Glass tumblers	7-26-83		1-30-84 - No injury.	
do	Aluminum alloy alpine ski poles	11-10-83		3-12-84 - Definitive duty.	
do	Welding wire	7-31-84		12-19-84 - Terminated.	
do	Shotshells and rimfire	10-31-83		2-21-84 - Case withdrawn.	
do	Lawn furniture	3-14-84		6-27-84 - Definitive duty.	
do	Hydraulic turbines	9-8-83		6-11-84 - Definitive duty.	
do	Nickel and nickel alloy pipe and tubing	7-16-84			
do	Power conversion systems	2-19-84		11-2-84 - Case withdrawn.	
do	High voltage porcelain insulators	7-3-84		11-6-84 - Case withdrawn.	
do	Stainless steel nickel	6-2-83		1-13-84 - Case withdrawn.	
do	Nickel alloy pipe and tube	6-2-83		1-13-84 - Case withdrawn.	
do	Vinyl coated fabrics	7-4-84		2-3-84 - No injury.	
do	Shotshells and rimfires	10-31-83		11-9-83 - Case withdrawn.	
do	Carbon steel and alloy plate	8-30-83		10-28-83 - Definitive duty.	
do	Aluminum alloy alpine ski poles	11-10-83		3-12-84 - Definitive duty.	
do	Contact lenses	2-4-83		12-28-83 - Definitive duty.	
do	Self-adhesive leaves	7-13-84		12-28-84 - Definitive duty.	
do	Alloy tool steel bars, plates, and forgings	8-22-84			
do	Stainless steel nickel	6-2-83		1-13-84 - Definitive duty.	
do	Nickel alloy pipe and tube	6-2-83		1-13-84 - Definitive duty.	

Table A-4. Antidumping actions reported by signatories to the GATT Committee on Antidumping practices, 1984--Continued

Reporting country	Action taken against	Product	Initiation date	Provisional measures	Final outcome
Canada --cont.	Spain	Wide flange beams	7-27-84		
	do	Lawn furniture	3-14-84		6-27-84 - Case withdrawn.
	Sweden	Alloy tool steel bars, plate, and forgings	8-22-84		
	Taiwan	Lawn furniture	3-14-84	6-27-84	
	United Kingdom	do	do	do	
	do	Contact lenses	2-4-83	12-28-83	3-27-84 - No injury.
	United States	Sugar	10-24-83	4-24-84	7-23-84 - No injury.
	do	Wear resistant steel pipe	7-3-84	11-13-84	
	do	High voltage porcelain insulators	7-3-84	11-6-84	
	do	Two-door metal storage cabinets	10-3-84		
	do	Plywood concrete forming panels	10-4-84	12-12-84	
	do	Photo albums with self-adhesive leaves and/or component parts thereof.	7-13-84	12-28-84	
	do	Self adhesive leaves	7-13-84	12-28-84	
	do	Stainless steel nickel	6-2-83	1-13-84	4-16-84 - Definitive duty.
	do	Nickel alloy pipe and tube	6-2-83	1-13-84	4-16-84 - Definitive duty.
	do	Contact lenses	2-4-83	12-28-83	3-27-84 - No injury.
	do	Plate coils	5-9-83	10-21-83	1-19-84 - Definitive duty.
	do	Potatoes	9-30-83	3-5-84	
	do	Sugar	10-24-83	4-24-84	
	West Germany	do	Power conversion systems	3-19-84	11-2-84
do		Stainless steel nickel	6-2-83	1-13-84	4-16-84 - Definitive duty.
do		Nickel alloy pipe and tube	6-2-83	1-13-84	4-16-84 - Definitive duty.
do		Aluminum alloy alpine ski poles	11-10-83	3-12-84	5-14-84 - No injury.
Brazil		Detonating fuses	1-14-84		
do		do	do	do	
Peru		do	do	do	
Spain		do	do	do	
do		Sinks, bathtubs and gas water-heaters	6-29-84		
do		Malleable tube fittings	5-31-83	11-19-83	3-17-84 - Definitive duty.
EC	do	Shovels	12-23-83	8-29-84	12-18-84 - Price undertakings.
	Brazil	Oxalic acid	3-8-84	9-7-84	12-18-84 - Price undertakings.
	do	Soya cakes	3-17-84		
	do	Pentaerythritol	3-13-84	9-22-84	
	Canada	Vinyl acetate monomer	7-7-83	2-29-84	6-29-84 - Definitive duty.
	Czechoslovakia	Ice skates	2-28-84		
	do	Copper sulphate	10-13-83		8-22-84 - Price undertakings.
	do	Horticultural glass	7-21-83		8-21-84 - Price undertakings.
	do	Artificial corundum	9-30-83	9-25-84	12-28-84 - Price undertakings.
	do	Asbestos corrugated sheets	2-28-84		9-28-84 - Price undertakings.
Hungary	do	Silicon carbide	8-1-84		
	do	Wood particle board	11-16-84		
	do	Horticultural glass	1-19-84		8-21-84 - Price undertakings.
	do	Copper sulphate	3-31-84		10-18-84 - Price undertakings.
	do	Artificial corundum	7-31-84		
	do	Ice skates	8-3-84		
	do	Electronic weighing machines	9-3-83		
	do	Photographic paper	10-28-83		
	do	do	do	do	
	do	do	do	do	

Table A-4.--Antidumping actions reported by signatories to the GATT Committee on Antidumping practices, 1984--Continued

Reporting country	Action taken against	Product	Initiation date	Provisional measures	Final outcome
EC--con't	Japan	Miniature ball bearings	7-14-83	3-23-84	7-21-84 - Definitive duty.
	do	Electronic typewriters	3-24-84	12-22-84	
	do	Ball and tapered roller bearings	4-13-84	12-28-84	
	do	Hydraulic excavators	7-31-84		
	do	Wrought titanium	9-7-84		
	do	Glycine	10-4-84		
	do	Silicon carbide	8-1-84		
	Norway	Aluminium	8-2-83		2-28-84 - Other action.
	do	Horticultural glass	1-19-84		8-21-84 - Price undertakings.
	Poland	Copper sulphate	3-31-84		
	do	Horticultural glass	7-21-83	10-18-84	
	do	Artificial corundum	7-31-84		8-21-84 - Price undertakings.
	do	Silicon carbide	8-1-84		
	do	Wood particle board	11-16-84		
	Romania	Horticultural glass	1-19-84		8-21-84 - Price undertakings.
	do	Ice skates	8-3-84		
	do	Wood particle board	11-16-84		
	do	Cold rolled steel sections	4-23-83		3-27-84 - Price undertakings.
	do	Choline chloride	4-23-83	12-20-83	5-3-84 - Price undertakings.
	Singapore	Miniature ball bearings	7-14-83	3-23-84	7-21-84 - Definitive duty.
	Spain	Pentaerythritol	9-13-83		3-31-84 - Price undertakings.
	do	Ceramic tiles	10-19-83		6-28-84 - Other action.
	do	Concrete reinforcing bars	11-5-83	11-5-83	2-4-84 - Definitive duty.
	do	Kraftliner paper	1-28-84		
	do	Artificial corundum	9-30-83		9-25-84 - No dumping.
	do	Kraftliner paper	1-28-84		8-21-84 - Price undertakings.
	do	Oxalic acid	3-8-84		9-7-84 - No dumping.
	do	Copper sulphate	3-31-84		10-18-84 - No dumping.
	do	Formaldehyde	6-1-84		10-26-84 - Price undertakings.
	do	Silicon carbide	8-1-84		
	do	Polystyrene sheets	8-4-84		
	do	Plasterboard	10-16-84		
	do	Wood particle board	11-16-84		
	do	Pentaerythritol	3-13-84		
	Sweden	Sodium carbonate	4-13-84		9-22-84 - Price undertakings.
	United States	Wrought titanium	9-7-84	8-2-84	11-29-84 - Definitive duty.
	do	N-propyl alcohol	10-14-83		9-25-84 - No dumping.
	do	Artificial corundum	9-30-83		4-19-84 - Price undertakings.
	Yugoslavia	Copper sulphate	11-8-83		
	do	Ice skates	8-3-84		8-11-84 - Price undertakings.
	do	Silicon carbide	8-1-84		
	do	Basic chrome sulphate	10-16-84		
	do	Wood particle board	do		
	do	Aluminium	2-10-83		2-28-84 - Other action.
Finland	Switzerland	Triphase and double rate electricity meters	3-26-84	10-1-84	12-21-84 - Price undertakings.
	do	do	3-26-84	9-17-84	
Japan	Pakistan	Carded cotton yarn	4-20-83		2-28-84 - No subsidy.
	do	Medical x-ray film	4-30-84	7-30-84	2-22-84 - Case withdrawn.
Spain	Italy				

Source: Compiled from documents of the Committee on Subsidies and Countervailing Measures, General Agreement on Tariffs and Trade.

Table A-5.--Antidumping cases active in 1984, by final outcome and USITC investigation number

USITC Investigation number	Product	Country	Date petition filed	Preliminary determination		Final determination		Date of final action
				USITC	ITA 1/	ITA 1/	USITC	
Affirmative:								
731-TA-123	Certain flat-rolled carbon steel products.	Brazil	01/31/83	A	A	A	A	03/05/84
731-TA-125	Potassium permanganate	China	02/22/83	A	A	A	A	01/20/84
731-TA-126	Potassium permanganate	Spain	02/22/83	A	A	A	A	01/20/84
731-TA-130	Chloropicrin	China	04/06/83	A	A	A	A	03/19/84
731-TA-131	Certain welded carbon steel pipes.	Korea	04/21/83	A	A	A	A	04/25/84
731-TA-132	Certain welded carbon steel pipes.	Taiwan	04/21/83	A	A	A	A	04/25/84
731-TA-134	Color television receivers	Korea	05/02/83	A	A	A	A	04/09/84
731-TA-135	Color television receivers	Taiwan	05/02/83	A	A	A	A	04/09/84
731-TA-136	Cyanuric acid and its chlorinated derivatives.	Japan	06/03/83	A	A	A	A	04/09/84
731-TA-149	Barium chloride	China	10/25/83	A	A	A	A	10/11/84
731-TA-151	Certain hot-rolled carbon steel plate.	Korea	10/31/83	A	A	A	A	08/09/84
731-TA-152	Pads for woodwind instrument keys.	Italy	11/07/83	A	A	A	A	08/23/84
731-TA-153	Hot-rolled carbon steel sheet	Brazil	11/10/83	A	A	A	A	08/23/84
731-TA-155	Choline chloride	Canada	11/15/83	A	A	A	A	10/26/84
731-TA-157	Carbon steel wire rod	Argentina	11/23/83	A	A	A	A	11/05/84
731-TA-160	Carbon steel wire rod	Spain	11/23/83	A	A	A	A	11/05/84
731-TA-161	Titanium sponge thereof.	Japan	11/28/83	A	A	A	A	11/07/84
731-TA-166	Bicycle tires and tubes thereof.	Taiwan	3/	-	A	A	A	05/21/84
Negative:								
731-TA-120	Certain tapered roller bearings and parts thereof.	Japan	01/26/83	A	A	A	N	02/27/84
731-TA-121	Certain tapered roller bearings and parts thereof.	West Germany	01/26/83	A	N	N	-	01/19/84
731-TA-122	Certain tapered roller bearings and parts thereof.	Italy	01/26/83	A	A	A	N	02/27/84
731-TA-133	Forged undercarriage components	Italy	04/29/83	P	N	N	-	02/27/84
731-TA-137	Tubes for tires, other than bicycles tires.	Korea	07/11/83	A	N	N	-	06/29/84
731-TA-139	Acrylic sheet	Taiwan	07/28/83	A	A	A	N	05/09/84
731-TA-145	Certain steel valves and parts thereof.	Japan	09/22/83	A	A	A	N	07/30/84
731-TA-148	Fresh cut roses	Columbia	09/30/83	A	A	A	N	09/10/84

See footnotes at end of table.

Table A-5.--Antidumping cases active in 1984, by final outcome and USITC investigation number--Continued

USITC investigation number	Product	Country	Date petition filed	Preliminary determination		Final determination		Date of final action
				USITC	ITA 1/	ITA 1/	USITC	
(Codes used for outcomes: affirmative (A), negative (N), affirmative on some products (P), terminated (T), withdrawn (W))								
731-TA-150	Barium carbonate	China	10/25/83	A				05/29/84
731-TA-154	Cold-rolled carbon steel sheet	Brazil	11/10/83	A	N			08/24/84
731-TA-156	Choline chloride	United Kingdom	11/15/83	A	N			09/18/84
731-TA-159	Carbon steel wire rod	Poland	11/23/83	A	A			09/04/84
731-TA-162	Titanium sponge	United Kingdom	11/28/83	A	A			11/07/84
731-TA-164	Stainless steel sheet and strip	Spain	01/13/84	A	A			10/23/84
731-TA-167	Certain table wine	France	01/27/84	N				03/12/84
731-TA-168	Certain table wine	Italy	01/27/84	N				03/12/84
731-TA-188	Lamb meat	New Zealand	04/18/84	N				06/04/84
731-TA-200	Radial ply tires for passenger cars.	Korea	07/20/84	N				09/04/84
Affirmative on:								
Some Products:								
731-TA-138	Certain rectangular welded carbon steel pipes and tubes.	Korea	07/14/83	A	A			04/27/84
Terminated:								
731-TA-146	Certain flat-rolled carbon steel products.	Belgium	09/29/83	A				01/27/84
Withdrawn:								
731-TA-118	Certain lightweight polyester filament fabric.	Japan	01/04/83	A	A			01/26/84
731-TA-147	Certain flat-rolled carbon steel products.	West Germany	09/29/83	A	A			11/29/84
731-TA-158	Carbon steel wire rod	Mexico	11/23/83	A	N			07/06/84
731-TA-170	Carbon steel plate not in coils	South Africa	02/10/84	A	W			06/07/84
731-TA-172	Carbon steel plate in coils	South Africa	02/10/84	A	W			06/07/84
731-TA-174	Hot-rolled carbon steel sheet	South Africa	02/10/84	A	W			06/07/84
731-TA-176	Cold-rolled carbon steel sheet	South Africa	02/10/84	A	W			06/07/84
731-TA-179	Galvanized carbon steel sheet	South Africa	02/10/84	A	W			06/07/84
731-TA-181	Carbon steel angles, shapes and sections.	South Africa	02/10/84	A	W			06/07/84
731-TA-186	Potassium chloride	Spain	03/30/84	A	A			11/20/84
Pending at 12/31/84								
731-TA-165	Certain valves, nozzles, and connectors of brass.	Italy	01/23/84	A				Pending
731-TA-169	Carbon steel plate not in coils	Finland	02/10/84	A	A			Pending
731-TA-171	Certain carbon steel products	Spain	02/10/84	A	A			Pending
731-TA-173	Carbon steel plate in coils	Spain	02/10/84	A	A			Pending
731-TA-175	Cold-rolled carbon steel plates and sheets.	Argentina	02/10/84	A	A			Pending
731-TA-177	Certain carbon steel products	Spain	02/10/84	A	A			Pending

See footnotes at end of table.

Table A-5.--Antidumping cases active in 1984, by final outcome and USITC investigation number--Continued

(Codes used for outcomes: affirmative (A), negative (N), affirmative on some products (P), terminated (T), withdrawn (W))

USITC investigation number	Product	Country	Date petition filed	Preliminary determination		Final determination		Date of final 2/ action
				USITC	ITA 1/	ITA 1/	USITC	
731-TA-169	Carbon steel plate not in coils	Finland	02/10/84	A	A	-	-	Pending
731-TA-171	Certain carbon steel products	Spain	02/10/84	A	A	-	-	Pending
731-TA-173	Carbon steel plate in coils	Spain	02/10/84	A	A	-	-	Pending
731-TA-175	Cold-rolled carbon steel plates and sheets.	Argentina	02/10/84	A	A	-	-	Pending
731-TA-177	Certain carbon steel products	Spain	02/10/84	A	A	-	-	Pending
731-TA-178	Certain carbon steel products	Australia	02/10/84	A	A	-	-	Pending
731-TA-180	Certain carbon steel products	Spain	02/10/84	A	A	-	-	Pending
731-TA-182	Certain carbon steel products	Spain	02/10/84	A	A	-	-	Pending
731-TA-183	Large diameter carbon steel welded pipes.	Brazil	03/21/84	A	-	-	-	Pending
731-TA-184	Potassium chloride	East Germany	03/30/84	A	-	-	-	Pending
731-TA-185	Potassium chloride	Israel	03/30/84	A	-	-	-	Pending
731-TA-187	Potassium chloride	U.S.S.R.	03/30/84	A	-	-	-	Pending
731-TA-189	Calcium hypochlorite	Japan	04/25/84	A	-	-	-	Pending
731-TA-190	Stainless steel wire cloth	Japan	06/01/84	A	-	-	-	Pending
731-TA-191	Oil country tubular goods	Argentina	06/13/84	A	-	-	-	Pending
731-TA-192	Oil country tubular goods	Brazil	06/13/84	A	-	-	-	Pending
731-TA-193	Oil country tubular goods	Korea	06/13/84	A	-	-	-	Pending
731-TA-194	Oil country tubular goods	Mexico	06/13/84	A	-	-	-	Pending
731-TA-195	Oil country tubular goods	Spain	06/13/84	A	-	-	-	Pending
731-TA-196	Certain red raspberries	Canada	07/05/84	A	-	-	-	Pending
731-TA-197	Certain welded carbon steel pipes and tubes.	Brazil	07/17/84	A	-	-	-	Pending
731-TA-198	Certain welded carbon steel pipes and tubes.	Spain	07/17/84	A	-	-	-	Pending
731-TA-199	Certain dried salted codfish	Canada	07/19/84	A	-	-	-	Pending
731-TA-201	Egg filler flats	Canada	08/03/84	A	-	-	-	Pending
731-TA-202	Tubular metal framed stacking chairs.	Italy	08/10/84	A	-	-	-	Pending
731-TA-203	Tubular metal framed stacking chairs.	Taiwan	08/10/84	A	-	-	-	Pending
731-TA-204	Grand and upright pianos	Korea	08/21/84	A	-	-	-	Pending
731-TA-205	Carbon steel rod	East Germany	08/26/84	A	-	-	-	Pending
731-TA-206	Fabric and expanded neoprene laminate.	Japan	09/28/84	A	-	-	-	Pending
731-TA-207	Cellular mobile telephones and subassemblies thereof.	Japan	11/05/84	A	-	-	-	Pending
731-TA-208	Barbed wire and barbless wire strand.	Argentina	11/19/84	-	-	-	-	Pending
731-TA-209	Barbed wire and barbless wire strand.	Brazil	11/19/84	-	-	-	-	Pending
731-TA-210	Barbed wire and barbless wire strand.	Poland	11/19/84	-	-	-	-	Pending
731-TA-211	Certain welded carbon steel pipes and tubes, and sheets.	Taiwan	12/18/84	-	-	-	-	Pending

See footnotes at end of table.

Table A-5.--Antidumping cases active in 1984, by final outcome and USITC investigation number--Continued

USITC investigation number	Product	Country	Date petition filed	Preliminary determination		Final determination		Date of final action
				USITC	ITA 1/	USITC	ITA 1/	
731-TA-212	Certain welded carbon steel pipes and tubes.	Venezuela	12/18/84	-	-	-	-	Pending
731-TA-213	Carbon steel plates, whether or not in coils.	Czechoslovakia	12/19/84	-	-	-	-	Pending
731-TA-214	Carbon steel plates, whether or not in coils.	East Germany	12/19/84	-	-	-	-	Pending
731-TA-215	Carbon steel plates, whether or not in coils.	Hungary	12/19/84	-	-	-	-	Pending
731-TA-216	Carbon steel plates, whether or not in coils.	Poland	12/19/84	-	-	-	-	Pending
731-TA-217	Carbon steel plates, whether or not in coils.	Venezuela	12/19/84	-	-	-	-	Pending
731-TA-218	Carbon steel plates, whether or not in coils.	Finland	12/19/84	-	-	-	-	Pending
731-TA-219	Hot-rolled carbon steel sheets	Austria	12/19/84	-	-	-	-	Pending
731-TA-220	Hot-rolled carbon steel sheets	Finland	12/19/84	-	-	-	-	Pending
731-TA-221	Hot-rolled carbon steel sheets	Hungary	12/19/84	-	-	-	-	Pending
731-TA-222	Hot-rolled carbon steel sheets	Romania	12/19/84	-	-	-	-	Pending
731-TA-223	Hot-rolled carbon steel sheets	Venezuela	12/19/84	-	-	-	-	Pending
731-TA-224	Cold-rolled carbon steel plates and sheets.	Austria	12/19/84	-	-	-	-	Pending
731-TA-225	Cold-rolled carbon steel plates and sheets.	Czechoslovakia	12/19/84	-	-	-	-	Pending
731-TA-226	Cold-rolled carbon steel plates and sheets.	East Germany	12/19/84	-	-	-	-	Pending
731-TA-227	Cold-rolled carbon steel plates and sheets.	Finland	12/19/84	-	-	-	-	Pending
731-TA-228	Cold-rolled carbon steel plates and sheets.	Romania	12/19/84	-	-	-	-	Pending
731-TA-229	Cold-rolled carbon steel plates and sheets.	Venezuela	12/19/84	-	-	-	-	Pending
731-TA-230	Galvanized carbon steel sheets	Austria	12/19/84	-	-	-	-	Pending
731-TA-231	Galvanized carbon steel sheets	East Germany	12/19/84	-	-	-	-	Pending
731-TA-232	Galvanized carbon steel sheets	Romania	12/19/84	-	-	-	-	Pending
731-TA-233	Galvanized carbon steel sheets	Venezuela	12/19/84	-	-	-	-	Pending
731-TA-234	Carbon steel angles, shapes, and sections/ 3 inches or more.	Norway	12/19/84	-	-	-	-	Pending
731-TA-235	Carbon steel angles, shapes, and sections/ 3 inches or more.	Poland	12/19/84	-	-	-	-	Pending
731-TA-236	Hydrogenated castor oil	Brazil	12/27/84	-	-	-	-	Pending
731-TA-237	12-hydroxystearic acid (castor oil).	Brazil	12/27/84	-	-	-	-	Pending

1/ International Trade Administration, U.S. Department of Commerce.

2/ For cases in which the final action was taken by ITA, the date shown is the Federal Register notice date of that decision.

3/ Remanded by court order for reevaluation on May 12, 1982. Petition originally filed on 02/23/78.

Source: Casis Database, Office of Economics, U.S. International Trade Commission.

Table A-6.—Antidumping orders and findings
in effect as of Dec. 31, 1984

Country and commodity	Effective date of original action 1/
<u>Antidumping orders in effect</u>	
Argentina:	
Carbon steel wire rods	Nov. 23, 1984.
Printed vinyl film	Aug. 24, 1973.
Australia: canned bartlett pears	Mar. 23, 1973.
Austria: railway track equipment	Feb. 17, 1978.
Belgium: sugar	June 13, 1979.
Brazil:	
Hot-rolled steel plate	Mar. 22, 1984.
Hot-rolled steel plate in coil	Mar. 22, 1984.
Wire rods	Nov. 16, 1983.
Hot-rolled sheet	June 13, 1979.
Printed vinyl film	Aug. 24, 1973.
Canada:	
Choline chloride	Nov. 19, 1984.
Sugar and syrups	Apr. 9, 1980.
Paving equipment	Sept. 7, 1977.
Racing plate	Feb. 27, 1974.
Elemental sulphur	Dec. 17, 1973.
Potato granules	Sept. 27, 1972.
Pig iron	July 24, 1971.
Steel jacks	Sept. 13, 1966.
Steel bars and shapes	Sept. 25, 1964.
Steel reinforcing bars	Apr. 21, 1964.
Chile: sodum nitrate	Mar. 25, 1983.
China:	
Barium chloride	Oct. 17, 1984.
Chloropicrin	Mar. 22, 1984.
Potassium permanganate	Jan. 31, 1984.
Shop towels	Oct. 4, 1983.
Printcloth	Sept. 16, 1983.
Dominican Republic: portland cement	May 4, 1963.
East Germany: montan wax	Sept. 10, 1981.
Finland:	
Condenser paper	Sept. 21, 1979.
Rayon staple fiber	Mar. 21, 1979.
France:	
Nitrocellulose	Aug. 10, 1983.
Stainless steel sheet and strip	June 22, 1983.
Sorbitol	Apr. 9, 1982.
Anhydrous sodium metasilicate	Jan. 7, 1981.
Sugar	June 13, 1979.
Rayon staple fiber	Mar. 21, 1979.
Stainless steel wire rods	Aug. 28, 1973.
Large power transformers	June 14, 1972.

See footnote at end of table.

Table A-6.—Antidumping orders and findings in effect as of Dec. 31, 1984—Continued

Country and commodity	Effective date of original action 1/
<u>Antidumping orders in effect—Continued</u>	
Italy:	
Woodwind pads	Sept. 21, 1984.
Strontium nitrate	June 25, 1981.
Spun acrylic yarn	Apr. 8, 1980.
Rayon staple fiber	June 13, 1979.
Pressure sensitive tape	Oct. 21, 1977.
Large power transformers	June 14, 1972.
Clear sheet glass	Dec. 9, 1971.
Japan:	
Cell-site transceivers	Dec. 30, 1984.
Titanium sponge	Nov. 30, 1984.
Cyanuric acid	Apr. 27, 1984.
Dichloroisocyanurates	Apr. 27, 1984.
Trichloroisocyanuric acid	Apr. 27, 1984.
Pagers	Aug. 16, 1983.
Pipe and tubing	Mar. 2, 1983.
Stainless clad steel plate	Aug. 6, 1982.
High powered amplifiers	July 20, 1982.
Large electric motors	Dec. 24, 1980.
Portable electric typewriters	May 9, 1980.
Spun acrylic yarn	Apr. 8, 1980.
Steel wire strand	Dec. 18, 1978.
Carbon steel plate	May 30, 1978.
Impression fabric	May 25, 1978.
Swimming pools	Sept. 2, 1977.
Melamine	Feb. 2, 1977.
Acrylic sheet	Aug. 30, 1976.
Tapered roller bearing	Aug. 17, 1976.
Birch 3-ply doorskins	Feb. 18, 1976.
Calcium pantothenate	Jan. 17, 1974.
Expanded metal	Jan. 16, 1974.
Polychloroprene rubber	Dec. 6, 1973.
Steel wire rope	Oct. 15, 1973.
Synthetic methionine	July 23, 1973.
Roller chain	Apr. 12, 1973.
Bicycle speedometers	Nov. 22, 1972.
Cadmium	Aug. 4, 1972.
Large power transformers	June 14, 1972.
Fishnetting	June 9, 1972.
Ferrite cores	Mar. 13, 1971.
Television receiving sets	Mar. 10, 1971.
Tuners	Dec. 12, 1970.

See footnote at end of table.

Table A-6.—Antidumping orders and findings
in effect as of Dec. 31, 1984—Continued

Country and commodity	Effective date of original action 1/
<u>Antidumping orders in effect—Continued</u>	
Korea:	
Carbon steel plate	Aug. 22, 1984.
Television receiving sets	Apr. 30, 1984.
Rectangular pipes and tubes	May 7, 1984.
Circular pipes and tubes	May 7, 1984.
Steel wire nails	Sept. 11, 1982.
Bicycle tires and tubes	Apr. 13, 1979.
Mexico: elemental sulphur	June 28, 1972.
Netherlands: animal glue	Dec. 22, 1977.
Spain:	
Carbon steel wire rods	Sept. 27, 1984.
Potassium permanganate	Jan. 9, 1984.
Sweden:	
Staples	Dec. 20, 1983.
Staplers	Dec. 20, 1983.
Animal glue	Dec. 22, 1977.
Stainless steel plate	June 8, 1973.
Taiwan:	
Bicycle tires and tubes	June 12, 1984.
Circular pipes and tubes	May 7, 1984.
Television receiving sets	Apr. 30, 1984.
Fireplace mesh panels	June 7, 1982.
Carbon steel plate	June 13, 1979.
Polyvinylchloride sheet and film	June 30, 1978.
Clear sheet glass	Aug. 21, 1971.
Trinidad and Tobago: carbon steel wire rods	May 4, 1983.
United Kingdom: diamond tips	Apr. 1, 1972.
U.S.S.R.: titanium sponge	Aug. 28, 1968.
West Germany:	
Tool steel	July 25, 1983.
Stainless steel sheet and strip	June 23, 1983.
Barium carbonate	June 25, 1981.
Sugar	June 13, 1979.
Animal glue	Dec. 22, 1977.
Drycleaning machinery	Nov. 2, 1972.
Yugoslavia: animal glue	Dec. 22, 1977.
<u>Suspension agreements in effect</u>	
Canada: sheet piling	Sept. 14, 1982.
Hungary: axles	Jan. 4, 1983.
Japan: small electric motors	Nov. 6, 1980.
Romania: carbon steel plate	Jan. 4, 1984.

See footnote at end of table.

Table A-6.—Antidumping orders and findings
in effect as of Dec. 31, 1984—Continued

Country and commodity	Effective date of original action 1/
<u>Revocations in 1984</u>	
Argentina: printed vinyl film	Aug. 24, 1973.
Belgium:	
Perchloroethylene	May 18, 1979.
Viscose rayon staple fiber	Mar. 21, 1979.
Czechoslovakia: pig iron	Oct. 29, 1968.
East Germany: pig iron	Oct. 29, 1968.
France:	
Condenser paper	Sept. 21, 1979.
Perchloroethylene	May 18, 1979.
Italy: perchloroethylene	May 18, 1979.
Japan: tempered sheet glass	Sept. 13, 1971.
Romania: pig iron	Oct. 29, 1968.
U.S.S.R.: pig iron	Oct. 29, 1968.

1/ The U.S. Department of Commerce completes a periodic review of outstanding antidumping orders and suspensions agreements, upon request, to determine if the amount of the net margin of underselling has changed. If a change has occurred, the imposed antidumping duties are adjusted accordingly. The results of the periodic review must be published together with a formal notice of any antidumping duty to be assessed, estimated duty to be deposited, or investigation to be resumed.

Source: International Trade Administration of the U.S. Department of Commerce.

Table A-7.--Countervailing-duty cases active in 1984, by final outcome and USITC investigation number

(Codes used for outcomes: affirmative (A), negative (N), affirmative on some products (P), suspension agreement (S), terminated (T), withdrawn (W))

USITC investigation number	Product	Country	Date petition filed 1/	Preliminary determination		Date of final action
				USITC	ITA 2/	
Affirmative:						
4/	Carbon steel wire rod	Trin. & Tobago	06/15/83	-	-	01/04/84
4/	Bricks	Mexico	11/18/83	-	-	05/08/84
4/	Cold rolled carbon steel sheet	Argentina	12/08/83	-	-	04/26/84
4/	Carbon steel bars and shapes	Mexico	04/03/84	-	-	09/07/84
4/	Lime	Mexico	04/16/84	-	-	09/11/84
4/	Oil country tubular goods	Argentina	07/11/84	-	-	11/27/84
4/	Oil country tubular goods	Mexico	07/11/84	-	-	11/30/84
701-TA-202	Certain shop towels	Pakistan	07/27/83	A	A	02/23/84
701-TA-205	Certain carbon steel products	Brazil	10/10/83	A	A	06/08/84
701-TA-206	Certain carbon steel products	Brazil	10/10/83	A	A	06/08/84
701-TA-207	Certain carbon steel products	Brazil	10/10/83	A	A	06/08/84
701-TA-209	Carbon steel wire rod	Spain	11/23/83	A	A	06/22/84
Negative:						
5/	Potassium chloride	Israel	04/26/84	A	A	09/14/84
4/	Fresh cut flowers	Mexico	10/26/83	-	-	04/16/84
4/	Carbon steel wire rod	Czechoslovakia	12/21/83	-	N 6/	05/07/84
4/	Carbon steel wire rod	Poland	12/21/83	-	N 7/	05/07/84
701-TA-203	Pads for woodwind instrument keys.	Italy	11/07/83	A	N	04/25/84
701-TA-210	Certain table wine	France	01/27/84	N	-	03/12/84
701-TA-211	Certain table wine	Italy	01/27/84	N	-	03/12/84
701-TA-212	Certain carbon steel products	Australia	02/10/84	A	N	07/25/84
701-TA-213	Potassium chloride	Spain	03/30/84	A	A	10/29/84
701-TA-214	Lamb meat	New Zealand	04/18/84	N	-	06/04/84
Suspension agreement:						
4/	Unprocessed float glass	Mexico	10/17/83	-	S	02/28/84
4/	Cotton shop towels	Peru	04/18/84	-	S	09/12/84
4/	Portland hydraulic cement	Costa Rica	07/18/84	-	S	12/03/84
Terminated:						
4/	Textiles and textile mill products and apparel.	Portugal	08/15/84	-	T	12/21/84
4/	Textiles and textile mill products and apparel.	Panama	08/17/84	-	T	12/04/84
Withdrawn:						
4/	Carbon steel products	Mexico	12/08/83	-	A	04/25/84
4/	Potassium chloride	USSR	04/16/84	-	T	06/06/84
4/	Potassium chloride	East Germany	04/26/84	-	T	06/06/84
701-TA-222	Certain cast-iron pipe fittings	India	09/18/84	W	-	10/09/84

See footnotes at end of table.

Table A-7.--Countervailing-duty cases active in 1984, by final outcome and USITC investigation number--Continued
 (Codes used for outcomes: affirmative (A), negative (N), affirmative on some products (P),
 suspension agreement (S), terminated (T), withdrawn (W))

USITC investigation number	Product	Country	Date petition filed 1/	Preliminary determination		Final determination		Date of final action
				USITC	ITA 2/	ITA 2/	USITC 3/	
Pending at 12/31/84:								
4/	Welded carbon steel pipes and tubes.	Spain	08/13/84	-	A	-	-	Pending
4/	Textiles and textile mill products and apparel.	Peru	08/14/84	-	P	-	-	Pending
4/	Textiles and textile mill products and apparel.	Singapore	08/14/84	-	N	-	-	Pending
4/	Textiles and textile mill products and apparel.	Sri Lanka	08/15/84	-	A	-	-	Pending
4/	Textiles and textile mill products and apparel.	Thailand	08/15/84	-	A	-	-	Pending
4/	Textiles and textile mill products and apparel.	Turkey	08/15/84	-	A	-	-	Pending
4/	Textiles and textile mill products and apparel.	Argentina	08/15/84	-	A	-	-	Pending
4/	Textiles and textile mill products and apparel.	Indonesia	08/15/84	-	A	-	-	Pending
4/	Textiles and textile mill products and apparel.	Malaysia	08/15/84	-	A	-	-	Pending
4/	Textiles and textile mill products and apparel.	Columbia	08/17/84	-	A	-	-	Pending
4/	Textiles and textile mill products and apparel.	Mexico	08/17/84	-	-	-	-	Pending
4/	Fabricated automotive glass	Mexico	08/27/84	-	A	-	-	Pending
4/	Textiles and textile mill products and apparel.	Philippines	08/30/84	-	A	-	-	Pending
4/	Welded carbon steel pipe & tube products.	Mexico	11/23/84	-	-	-	-	Pending
4/	Paper-related school and office supplies.	Mexico	12/12/84	-	-	-	-	Pending
701-TA-215	Oil country tubular goods	Brazil	06/13/84	A	A	A	A	Pending
701-TA-216	Oil country tubular goods	Korea	06/13/84	A	A	A	A	Pending
701-TA-217	Oil country tubular goods	Spain	06/13/84	A	A	A	A	Pending
701-TA-218	Certain cold-rolled carbon steel products.	Korea	06/18/84	A	N	N	N	Pending
701-TA-219	Certain cold-rolled carbon steel sheet.	Korea	06/18/84	A	A	A	A	Pending
701-TA-220	Certain welded carbon steel pipes & tubes.	Spain	07/17/84	A	A	A	A	Pending
701-TA-221	Certain cast-iron pipe fittings	Brazil	09/18/84	A	A	A	A	Pending
701-TA-223	Agricultural tillage tools	Brazil	09/28/84	A	-	-	-	Pending
701-TA-224	Live swine and fresh, chilled and frozen pork.	Canada	11/02/84	A	-	-	-	Pending

Table A-7.--Countervailing-duty cases active in 1984, by final outcome and USITC investigation number--Continued

(Codes used for outcomes: affirmative (A), negative (N), affirmative on some products (P), suspension agreement (S), terminated (T), withdrawn (W))

USITC investigation number	Product	Country	Date petition filed <u>1/</u>	Preliminary determination		Final determination		Date of final action
				USITC	ITA <u>2/</u>	ITA <u>2/</u>	USITC <u>3/</u>	
701-TA-225	Carbon steel plates, whether or not in coils.	Sweden	12/19/84	-	-	-	-	Pending
701-TA-226	Carbon steel plates, whether or not in coils.	Venezuela	12/19/84	-	-	-	-	Pending
701-TA-227	Hot-rolled carbon steel sheets	Austria	12/19/84	-	-	-	-	Pending
701-TA-228	Hot-rolled carbon steel sheets	Sweden	12/19/84	-	-	-	-	Pending
701-TA-229	Hot-rolled carbon steel sheets	Venezuela	12/19/84	-	-	-	-	Pending
701-TA-230	Cold-rolled carbon steel plates and sheets.	Austria	12/19/84	-	-	-	-	Pending
701-TA-231	Cold-rolled carbon steel plates and sheets.	Sweden	12/19/84	-	-	-	-	Pending
701-TA-232	Cold-rolled carbon steel plates and sheets.	Venezuela	12/19/84	-	-	-	-	Pending
701-TA-233	Galvanized carbon steel sheets	Austria	12/19/84	-	-	-	-	Pending
701-TA-234	Galvanized carbon steel sheets	Venezuela	12/18/84	-	-	-	-	Pending
701-TA-235	Iron ore pellets	Brazil	12/20/84	-	-	-	-	Pending

1/ For cases in which no petition is filed with the USITC, the date of the Federal Register notice announcing the initiation of the investigation by the Department of Commerce is listed.

2/ International Trade Administration, U.S. Department of Commerce.

3/ For cases in which the final action was taken by ITA, the date shown is of the Federal Register notice date of that decision.

4/ Cases involving imports from countries that are not entitled, under U.S. countervailing duty statutes, to a material injury test do not come before the Commission and therefore have no USITC case numbers or determinations.

5/ The Commission does conduct an "injury test," on imports from countries not otherwise entitled to this test is the subject imports enter the United States duty free. The legislative basis for these determinations is contained in certain provisions of under section 303 (19 U.S.C. 1303).

6/ The ITA found no bounties or grants bestowed on the manufacturers, producers or exporters of carbon steel wire rod from Czechoslovakia, based upon their investigation in which they determined that bounties or grants cannot be found in nonmarket economies. The final determination appears in the Federal Register, Vol. 49, p.19370, May 7, 1984.

7/ The ITA found no bounties or grants bestowed on the manufacturers, producers or exporters of carbon steel wire rod from Poland, based upon their investigation in which they determined that bounties or grants cannot be found in nonmarket economies. Final determination appears in the Federal Register, Vol. 49, p. 19374, May 7, 1984.

Source: Cases Database, Office of Economics, U.S. International Trade Commission.

Table A-8.—Countervailing orders and findings
in effect as of Dec. 31, 1984

Country and commodity	Effective date of original action 1/
<u>Countervailing duty orders in effect</u>	
Argentina:	
Oil country tubular goods	Nov. 22, 1984.
Cold-rolled steel sheet	Apr. 26, 1984.
Wool	Apr. 4, 1983.
Leather wearing apparel	Mar. 17, 1983.
Nonrubber footwear	Jan. 17, 1979.
Woolen garments	Nov. 16, 1978.
Australia: sugar content of articles	Mar. 24, 1923.
Brazil:	
Certain carbon steel products	June 20, 1984.
Pig iron	Apr. 4, 1980.
Cotton yarn	Mar. 15, 1977.
Certain castor oil products	Mar. 16, 1976.
European Community: sugar 2/	July 31, 1978.
France: nitrocellulose	Mar. 22, 1983.
India:	
Certain iron-metal castings	Oct. 6, 1980.
Certain fasteners	July 21, 1980.
Oleoresins	Apr. 9, 1979.
Israel: fresh cut roses	Sept. 4, 1980.
Italy: forged under-carriages	Jan. 4, 1984.
Japan:	
Chains of iron or steel	Aug. 24, 1978.
Certain fasteners	May 6, 1977.
Korea:	
Certain steel products	Feb. 18, 1983.
Steel pipes and tubes	Feb. 18, 1983.
Bicycle tires and tubes	Jan. 12, 1979.
Mexico:	
Oil country tubular goods	Nov. 11, 1984.
Lime	Sept. 11, 1984.
Bars, rebars, and shapes	Aug. 17, 1984.
Bricks	May 8, 1984.
Portland hydraulic cement and cement clinker	Sept. 21, 1983.
Carbon black	June 20, 1983.
Iron-metal castings	Mar. 2, 1983.
Toy balloons and playballs	Dec. 27, 1982.
Litharge, red lead, and lead stabilizers	Dec. 6, 1982.
Ceramic tile	May 10, 1982.
Leather wearing apparel	Apr. 10, 1981.

See footnote at end of table.

Table A-8.—Countervailing orders and findings
in effect as of Dec. 31, 1984—Continued

Country and commodity	Effective date of original action 1/
<u>Countervailing duty orders in effect—Continued</u>	
Pakistan: cotton shop towels	Mar. 4, 1984.
Peru:	
Cotton sheeting and sateen	Feb. 1, 1983.
Cotton yarn	Feb. 1, 1983.
Philippines: canned tuna	Oct. 30, 1983.
South Africa:	
Steel concrete reinforcing bars	Oct. 28, 1982.
Steel wire rope	Sept. 27, 1982.
Certain steel products	Sept. 7, 1982.
Ferrochrome	Mar. 11, 1981.
Spain:	
Carbon steel wire rod	Dec. 10, 1984.
Oil country tubular goods	Nov. 30, 1984.
Stainless steel wire rod	Jan. 3, 1983.
Certain steel products	Jan. 3, 1983.
Amoxicillin trihydrate and its salts	July 27, 1979.
Ampicillin trihydrate and its salts	Mar. 22, 1979.
Oleoresins	Feb. 28, 1979.
Chains and parts thereof, of iron or steel	Jan. 24, 1978.
Sweden: viscose rayon staple fiber	May 15, 1979.
Trinidad and Tobago: carbon steel wire rod	Jan. 4, 1984.
United Kingdom:	
Stainless steel plate	June 23, 1983.
Float glass	Dec. 27, 1982.
Uruguay: leather wearing apparel	July 17, 1982.
West Germany: float glass	Dec. 27, 1982.
<u>Suspension agreements in effect</u>	
Argentina: wire rod	Sept. 27, 1982.
Brazil:	
Frozen concentrated orange juice	Mar. 4, 1984.
Certain tool steel products	Mar. 21, 1983.
Stainless steel products	Feb. 2, 1983.
Small diameter welded pipe and tube	Dec. 27, 1982.
Carbon steel wire rod	Sept. 27, 1982.
Carbon steel plate	Sept. 7, 1982.

See footnote at end of table.

Table A-8.—Countervailing orders and findings
in effect as of Dec. 31, 1984—Continued

Country and commodity	Effective date of original action 1/
<u>Suspension agreements in effect—Continued</u>	
Colombia:	
Roses and other cut flowers	Jan. 12, 1983.
Leather wearing apparel	Apr. 2, 1981.
Costa Rica: portland hydraulic cement	Dec. 3, 1984.
European Community: sodium gluconate	Nov. 30, 1981.
Mexico:	
Unprocessed float glass	Mar. 1, 1984.
Yarns of polypropylene fibers	Feb. 7, 1983.
Pectin	Dec. 7, 1982.
Polypropylene film	Dec. 7, 1982.
Peru: cotton shop towels	Sept. 12, 1984.
Singapore:	
Certain refrigeration compressors	Nov. 7, 1983.
Steel pipes and tubes	June 1, 1983.
Galvanized steel wire rod	Apr. 29, 1983.
Carbon steel wire rope	Sept. 27, 1982.
Prestressed concrete steel wire strand	May 21, 1982.
<u>Revocations in 1984</u>	
Australia: butter	Oct. 5, 1928.
Brazil: scissors and shears	Feb. 11, 1977.
Cuba: cordage	Aug. 19, 1954.
Spain:	
Ferroalloys	Jan. 2, 1980.
Unwrought zinc	Apr. 8, 1977.
Vitamin K	Nov. 16, 1976.
Bottled green olives	Oct. 26, 1974.
Greece: certain tomato products	May 12, 1972.

1/ The U.S. Department of Commerce conducts a periodic review of outstanding countervailing duty orders and suspensions agreements, upon request, to determine if the amount of the net subsidy has changed. If a change has occurred, the imposed countervailing duties are adjusted accordingly.

2/ Includes Belgium, Denmark, France, Ireland, Italy, the United Kingdom, West Germany, Luxembourg, the Netherlands, and Greece.

Source: International Trade Administration of the U.S. Department of Commerce.

Table A-9.--Section 337 investigations completed by the U.S. International Trade Commission during 1984 and those pending on Dec. 31, 1984

Status of investigation	Article	Country affected	Commission determination or other action
COMPLETED:			
337-TA-54B----	Certain multicellular plastic film-----	Hong Kong-----	Terminated on the basis of noninfringement.
337-TA-82A----	Certain headboxes and papermaking machine forming sections for the continuous production of paper and components thereof.	Sweden-----	Terminated on the basis of a consent order.
337-TA-97-----	Certain steel rod treating apparatus and components thereof.	West Germany and the United Kingdom-----	Terminated on the basis of a settlement agreement.
337-TA-105-----	Certain coin-operated audiovisual games and components thereof.	Japan and Taiwan-----	Violation. 1/
337-TA-125-----	Certain grooved wooden handle kitchen utensils and gadgets.	Taiwan-----	Do.
337-TA-133-----	Certain vertical milling machines parts, attachments, and accessories thereto.	Taiwan and Korea-----	No violation.
337-TA-137-----	Certain heavy-duty staple gun tackers-----	Taiwan-----	Violation. 1/
337-TA-139-----	Certain caulking guns-----	Taiwan and Korea-----	Do.
337-TA-140-----	Certain personal computers and components thereof-----	Taiwan, Hong Kong, Singapore, and Switzerland-----	Do.
337-TA-143-----	Certain amorphous metal alloys and amorphous metal articles.	Japan and West Germany-----	Do.
337-TA-145-----	Certain rotary wheel printers-----	Japan, Italy, and the Netherlands-----	Terminated on the basis of a settlement agreement.
337-TA-147-----	Certain papermaking machine forming sections for the continuous production of paper.	Finland-----	No violation.
337-TA-148/ 169 2/	Certain processes for the manufacture of skinless sausage casing and resulting products.	Spain-----	Violation. 1/
337-TA-149-----	Certain radar detectors and accompanying owner's manuals.	Japan-----	Terminated on the basis of a settlement agreement.
337-TA-150-----	Certain self-stripping electrical tap connectors-----	Taiwan-----	Violation. 1/
337-TA-151-----	Certain apparatus for flow injection analysis and components thereof.	Sweden-----	Terminated on the basis of abatement.
337-TA-152-----	Certain plastic food storage containers-----	Hong Kong and Taiwan-----	Violation. 1/
337-TA-153-----	Certain microprocessors, related parts and systems-----	Japan-----	Terminated on the basis of a settlement agreement.
337-TA-154-----	Certain dot matrix line printers and components thereof.	Japan-----	Terminated on the basis of a consent order.
337-TA-155-----	Certain liquid crystal display watches with rocker switches.	Hong Kong-----	Do.
337-TA-156-----	Certain minutiae-based automated fingerprint identification systems.	Japan-----	Terminated on the basis of complainants' motion.
337-TA-157-----	Certain office desk accessories and related products-----	Taiwan-----	Terminated on the basis of a consent order.
337-TA-158-----	Certain plastic light duty screw anchors-----	Liechtenstein-----	Terminated on the basis of a settlement agreement.
337-TA-159-----	Certain poultry cut-up machines-----	Netherlands-----	Terminated on the basis of a consent order.
337-TA-160-----	Certain composite diamond coated textile machinery components.	West Germany-----	No violation.
337-TA-161-----	Certain trolley wheel assemblies-----	Korea-----	Violation. 1/
337-TA-162-----	Certain cardiac pacemakers and components thereof-----	Australia-----	Terminated with prejudice to the complainant.
337-TA-163-----	Certain mutating valve actuators and components thereof.	-----do-----	Do.
337-TA-164-----	Certain modular structural systems-----	Canada-----	No violation.
337-TA-165-----	Certain duracell alkaline batteries-----	Canada-----	Violation. 3/

See footnotes at end of table.

Table A-9.--Section 337 investigations completed by the U.S. International Trade Commission during 1984 and those pending on Dec. 31, 1984--Continued

Status of investigation	Article	Country affected	Commission determination or other action
COMPLETED--			
CONTINUED:			
337-TA-166-----	Certain computerized jacquard pattern cutting systems--	West Germany-----	No violation.
337-TA-167-----	Certain single-handle faucets-----	Taiwan-----	Violation. 1/
337-TA-168-----	Certain combination punch press and laser assemblies and components thereof.	West Germany-----	Terminated on the basis of a settlement agreement.
337-TA-170-----	Certain bag closure clips-----	Israel-----	Violation. 1/
337-TA-171-----	Certain glass tempering systems-----	Finland-----	Do.
337-TA-172-----	Certain shearing machines-----	Japan-----	Terminated on the basis of a settlement agreement.
337-TA-173-----	Certain valves-----	Italy-----	Do.
337-TA-175-----	Certain metal and wire shelf products and accessories--	Canada-----	Terminated with prejudice to the complainant.
337-TA-176-----	Certain outboard motors and components thereof-----	Japan-----	Terminated on the basis of a settlement agreement.
337-TA-177-----	Certain film web drive stretch apparatus and components thereof.	Canada-----	Terminated on the basis of a consent order.
337-TA-178-----	Certain vinyl-covered foam blocks-----	Hong Kong-----	Violation. 1/
337-TA-179-----	Certain spherical roller bearings and components thereof and tools and equipment for the manufacture thereof.	West Germany-----	No violation.
337-TA-182/ 188 4/-----	Certain fluidized supporting apparatus and components thereof.	Japan and France-----	Terminated on the basis of abatement
337-TA-186-----	Certain tennis rackets-----	Belgium and France-----	Terminated on the basis of a settlement agreement.
337-TA-191-----	Certain stretch wrapping apparatus and components thereof.	Canada-----	Terminated on the basis of a consent order.
PENDING:			
337-TA-75 5/-----	Certain large video matrix display systems and components thereof.	Switzerland-----	-
337-TA-174-----	Certain woodworking machines-----	Taiwan and South Africa	-
337-TA-180-----	Certain x-ray image intensifier tubes-----	Netherlands-----	-
337-TA-181-----	Certain meat deboning machines-----	-----do-----	-
337-TA-183-----	Certain indomethacin-----	Canada, Italy, Poland, and Spain.	-
337-TA-184-----	Certain foam earplugs-----	West Germany, Sweden, Japan.	-
337-TA-185-----	Certain rotary wheel printing systems-----	Japan and West Germany.	-
337-TA-187-----	Certain glass construction blocks-----	France, West Germany, and Spain.	-
337-TA-189-----	Certain optical waveguide fibers-----	Japan-----	-
337-TA-190-----	Certain softballs and polyurethane cores therefor--	Taiwan-----	-
337-TA-192-----	Certain spring balanced arm lamp heads-----	-----do-----	-
337-TA-193-----	Certain rowing machines and components thereof-----	-----do-----	-
337-TA-194-----	Certain aramid fiber-----	Netherlands-----	-
337-TA-195-----	Certain cloisonne jewelry-----	Taiwan-----	-
337-TA-196-----	Certain apparatus for installing electrical lines and components therefor.	Canada-----	-
337-TA-197-----	Certain compound action metal-cutting snips and components thereof.	Taiwan-----	-

See footnotes at end of table.

Table A-9.--Section 337 investigations completed by the U.S. International Trade Commission during 1984 and those pending on Dec. 31, 1984--Continued

Status of investigation	Article	Country affected	Commission determination or other action
PENDING--			
CONTINUED:			
337-TA-198	Certain portable electronic calculators	Hong Kong	-
337-TA-199	Certain anodes for cathodic protection and components thereof.	United Kingdom	-
337-TA-200	Certain ink jet printing systems and components thereof.	-----do-----	-
337-TA-201	Certain products with Gremelin character depictions	Taiwan	-
337-TA-202	Certain telephone base housing and related packaging and printed materials.	Korea	-
337-TA-203	Certain floppy disk drives and components thereof	Korea	-
337-TA-204	Certain pull-type golf carts and wheels therefor	Taiwan	-
337-TA-205	Certain dialyzers using telescoping connectors for fluid lines.	Japan	-
337-TA-206	Certain surgical implants for fixation of bone fragments.	Spain	-
337-TA-207	Certain automotive transmission shifters	Japan	-
337-TA-208	Certain shoe stiffener components	United Kingdom	-
337-TA-209	Certain aluminum frame, fabric-covered luggage, and components thereof.	Taiwan	-
337-TA-210	Certain motor graders with adjustable control consoles and components thereof.	Japan	-
337-TA-211	Certain electrical connectors	West Germany and the United Kingdom.	-

1/ Issuance of exclusion order until expiration of the pertinent patents.

2/ The Commission, on Nov. 30, 1983, consolidated inv. Nos. 148 and 169.

3/ The President, on Jan. 4, 1985, disapproved the remedy issued in 337-TA-165 for policy reasons.

4/ The Commission, on Apr. 13, 1984, consolidated inv. Nos. 182 and 188.

5/ The Commission, in response to a decision by the Court of Appeals for the Federal Circuit that one of the patents in the case was invalid, reopened its investigation on July 15, 1983, to reconsider its previous determination of a violation of sec. 337. This investigation is currently in a suspended status because of litigation.

Source: U.S. International Trade Commission, Office of Unfair Import Investigations.

Table A-10.--Outstanding section 337 exclusion orders as of Dec. 31, 1984

Investigation no.	Article	Country	U.S. patent no.	Date patent expires
337-TA-2	Certain convertible game tables and components thereof.	Taiwan	3,711,009	Jan. 16, 1990
337-TA-5	Certain chain door locks	Hong Kong	3,395,556	Aug. 6, 1985
337-TA-24	Certain exercising devices	Hong Kong, and Taiwan, and Singapore.	3,743,280	July 3, 1990
337-TA-30	Certain display devices for photographs and the like.	Hong Kong and Japan.	3,774,332	Nov. 27, 1990
337-TA-39	Certain luggage products	Taiwan and Korea.	242,181 1/2	Nov. 2, 1990
337-TA-42	Certain electric slow cookers.	Japan and Hong Kong.	3,881,090	Apr. 29, 1992
337-TA-44	Certain roller units	Japan	4,024,600	May 24, 1994
337-TA-47	Certain flexible foam sandals.	Taiwan	3,978,596	Sept. 7, 1993
337-TA-54	Certain multicellular plastic film.	Taiwan, Hong Kong, and New Zealand.	3,416,984	Dec. 17, 1985
337-TA-55	Certain novelty glasses	Hong Kong	Nonpatent	-
337-TA-56	Certain thermometer sheath packages.	Sweden	3,552,558	Jan. 5, 1988
337-TA-59	Certain pump top insulated containers.	Korea and Taiwan.	3,847,280	Jan. 5, 1988
337-TA-62	Certain rotary scraping tools.	Taiwan	4,113,147	Sept. 12, 1995
337-TA-69	Certain airtight cast-iron stoves.	Taiwan and Korea.	3,958,294	May 25, 1993
337-TA-74	Certain rotatable photograph and card display units and components thereof.	Hong Kong	3,791,059	Feb. 12, 1991
337-TA-75	Certain video matrix display systems.	Switzerland	3,495,762	July 20, 1988

See footnotes at end of table.

Table A-10.--Outstanding section 337 exclusion orders as of Dec. 31, 1984--Continued

Investigation no.	Article	Country	U.S. patent no.	Date patent expires
337-TA-82A	Certain headboxes and papermaking machine forming sections for the continuous production of paper, and components thereof.	Sweden	28,269 2/	Dec. 10, 1991
337-TA-83	Certain adjustable window shades and components thereof.	Taiwan	4,006,770	Feb. 7, 1994
337-TA-87	Certain coin-operated audiovisual games and components thereof.	Japan	Nonpatent	-
337-TA-88	Certain spring assemblies and components thereof, and methods for their manufacture.	Canada	3,782,708 3,866,287	Jan. 19, 1991 Feb. 19, 1992
337-TA-99	Certain molded-in sandwich panel inserts and methods for their installation.	Japan	3,392,225	July 9, 1985
337-TA-105	Certain coin-operated audiovisual games and components thereof.	Japan and Taiwan	Nonpatent	-
337-TA-110	Certain methods for extruding plastic tubing.	Taiwan	28,959 2/	Dec. 2, 1987
337-TA-112	Certain cube puzzles	Taiwan, Japan, and Canada	Nonpatent	-
337-TA-114	Certain miniature plug-in blade fuses.	Taiwan	3,909,767 4,040,175	Sept. 30, 1992 Aug. 9, 1994
337-TA-118	Certain sneakers with fabric uppers and rubber soles.	Taiwan	4,056,884 4,131,869	Nov. 8, 1994 Dec. 26, 1995
337-TA-120	Certain silica-coated lead chromate pigments.	Korea	Nonpatent	-
337-TA-137	Certain heavy duty staple gun tackers.	Japan	3,639,133	Feb. 1, 1989
337-TA-139	Certain caulking guns	Taiwan	Nonpatent	-
337-TA-140	Certain personal computers and components thereof.	Taiwan and Korea	4,081,112	Mar. 28, 1995
337-TA-146	Certain canape makers	Taiwan	4,136,359	Jan. 23, 1996
337-TA-150	Certain self-stripping electrical tap connectors.	Hong Kong, Singapore, and Switzerland	4,278,972	July 14, 1998
337-TA-152	Certain plastic food storage containers.	Taiwan	268,318 1/ 3,388,370	Mar. 28, 1995 June 11, 1985

1/ Design patent.

2/ Reissued.

Source: U.S. International Trade Commission, Office of Unfair Import Investigations.

Table A-11.--U.S. imports for consumption from the world and from the Caribbean Basin, 1982-84

Item	1982	1983	1984
Imports from the world-----1,000 dollars--	242,339,988	256,679,524	322,989,519
Imports from the Caribbean Basin-----do-----	8,007,561	9,005,965	8,896,499
Ratio of imports from Caribbean Basin to imports from the world-----percent--	3.3	3.5	2.8
Dutiable value of imports from Caribbean Basin-1,000 dollars--	5,547,313	6,236,632	5,169,164
Imports under items 806.30 and 807.00-----do-----	605,341	752,052	824,002
Ratio of 806.30 and 807.00 imports to dutiable imports from the Caribbean Basin-----percent--	10.9	12.1	15.9
Ratio of 806.30 and 807.00 imports to total imports from the Caribbean Basin-----do-----	7.6	8.4	9.3
Duty-free value of imports from the Caribbean Basin-----1,000 dollars--	2,460,248	2,769,333	3,727,335
GSP duty-free imports from Caribbean Basin-----do-----	399,124	604,137	626,007
Ratio of GSP duty-free imports to duty-free imports from the Caribbean Basin-----percent--	16.2	21.8	16.8
Ratio of GSP duty-free imports to total imports from the Caribbean Basin-----do-----	5.0	6.7	7.0
CBI imports from Caribbean Basin-----1,000 dollars--	-	-	577,704
Ratio of CBI-form imports to duty-free imports from the Caribbean Basin-----percent--	-	-	15.5
Ratio of CBI-form imports to total imports from the Caribbean Basin-----do-----	-	-	6.5

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

Table A-12.--U.S. imports for consumption of selected products from the Caribbean Basin, 1984

Product 1/	Major Caribbean Basin supplier	Value	Caribbean Basin share of all U.S. imports	Share of imports from the Caribbean Basin	Duty-free share of total	806.00 and 807.00 share of total
Petroleum	Netherlands Antilles	4,219,446	7.0	47.4	3.0	-
Textiles	Dominican Republic	504,009	3.1	5.7	2.2	84.8
Certain leather products	do	22,043	1.3	0.2	.7	54.3
Certain footwear products	Haiti	10,276	0.2	0.1	1.1	36.0
Canned tuna	Netherlands Antilles	4	2/	2/	-	-
Total		4,755,778	7.1	53.5	2.9	9.3

1/ Petroleum and petroleum products are in part 10, schedule 4, of the TSUS. Textile products comprise schedule 3 of the TSUS. Certain leather products are certain leather, rubber, and plastic gloves, TSUS items 705.35 and 705.85-86; luggage, handbags, flat goods, TSUS items 706.05-706.16, 706.21-706.32, 706.34, 706.36, 706.38, 706.41, 706.43, 706.55, and 706.62; certain leather wearing apparel, TSUS item 791.76; footwear products, TSUS items 700.05-700.27, 700.29-700.53, 700.56-700.89, and 700.91-700.95; and canned tuna products, TSUS items 112.30, 112.34, and 112.90.

2/ Less than 0.05 percent.

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

Table A-13.--Leading items in U.S. imports for consumption from the Caribbean Basin, 1982-84

TSUSA number	Description	1982	1983	1984
	(Customs value, in thousands of dollars)			
475.05	Crude petroleum, 25 degrees a.p.i.	2,038,597	2,190,510	1,948,851
475.10	Crude petroleum, 25 degrees a.p.i. or more.	1,708,998	1,861,888	1,631,003
160.10	Coffee, crude, roasted or ground	501,298	520,503	596,151
155.20	Sugars, sirups, and molasses	280,706	436,963	443,667
146.40	Bananas, fresh	349,601	381,966	391,542
475.25	Motor fuel	476,234	400,749	320,194
475.35	Napthas	342,295	480,874	286,648
114.45	Shellfish other than clams	216,883	213,521	235,815
687.74	Monolithic integrated circuits	98,960	159,101	217,819
417.12	Aluminum hydroxide and oxide	77,038	147,198	207,510
605.20	Gold or silver bullion/ore	63,710	124,800	184,458
601.06	Bauxite	227,866	114,231	171,883
480.65	Nitrogenous fertilizers	43,739	66,571	126,661
800.00	U.S. goods returned	146,584	190,478	120,572
106.10	Beef and veal, fresh, chilled	149,960	132,850	99,822
685.90	Electrical switches	39,754	79,357	94,034
156.10	Cocoa beans	56,617	54,822	80,569
376.24	Lace or net body-support garments	56,926	68,503	66,259
412.22	Analgesics, antipyretics	34,814	51,036	54,837
383.90	Other women's, girl's, or infant's wearing apparel.	23,750	39,082	42,474
791.27	Leather, other than patent	12,975	27,433	41,332
155.40	Beet or cane molasses	24,552	31,108	40,988
685.80	Electrical capacitors	31,435	33,575	38,953
734.56	Baseball equipment and parts	41,858	39,034	38,651
170.70	Cigars each valued 23 cents or over	29,910	35,058	36,888
606.20	Ferronickel	0	29,730	36,444
170.35	Cigarette leaf, not mixed	0	3,173	36,212
379.62	Other men's or boy's wearing apparel, not ornamented.	15,689	16,976	32,658
169.14	Rum (including cana paraguaya)	2,405	4,257	32,258
379.95	Other men's and boy's wearing apparel, not ornamented.	11,271	20,522	31,762
	Total	7,104,426	7,955,869	7,686,916
	Total, all items imported from Caribbean Basin	8,007,561	9,005,965	8,896,499

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

Note.--Because of rounding, figures may not add to totals shown.

Table A-14.--Imports for consumption of leading GSP-eligible items, by descending value of GSP duty-free imports, 1984

Rank	TSUS item No.	Description	Total U.S. imports for consumption		GSP eligible		Duty free under GSP		Mandatory and discretionary competitive-need exclusions
			1,000 dollars	Percent	Value	Share of U.S. imports	Value	Share of total imports	
1	155.20	Sugar, sirup, and molasses	\$1,108,595	87.9	\$974,079	87.9	\$502,777	51.6	Philippines
2	676.30	Office machines, n.s.p.f.	3,657,596	17.0	620,487	17.0	253,232	40.8	S. Korea
3	740.38	Jewelry etc and parts n.s.p.f.	315,344	82.2	259,187	82.2	251,652	97.1	Taiwan
4	684.62	Telephonic apparatus	1,516,682	31.1	472,010	31.1	211,604	44.8	do
5	685.90	Switchboards panels	1,832,323	38.6	707,286	38.6	191,807	27.1	Hong Kong
6	612.06	Unwrought copper n.e.s.	652,483	57.0	371,921	57.0	185,545	49.9	Zambia
7	774.55	Articles, nsfp, of rubber	662,331	38.7	256,151	38.7	175,811	68.6	Hong Kong
8	772.51	Pneumatic tires, n.e.s.	1,704,633	18.9	322,113	18.9	157,785	49.0	Brazil
9	684.25	Microwave ovens	554,142	47.9	265,410	47.9	141,401	53.3	Singapore
10	727.35	Furniture, wood n.s.p.f.	784,482	38.6	302,581	38.6	128,073	42.3	Yugoslavia
11	791.27	Leather, other than patent	133,638	97.3	130,029	97.3	126,704	97.4	India
12	407.16	Mixtures in whole or part of any of the industrial organic chemical products.	176,384	80.0	141,104	80.0	126,645	89.8	Mexico
13	772.15	Household articles of rubber or plastics, n.s.p.f.	179,117	68.9	123,398	68.9	121,605	98.5	Taiwan
14	791.15	Fur wearing apparel	302,965	61.0	186,921	61.0	115,099	62.2	Hong Kong
15	740.14	Jewelry, nes, of precious metal	585,059	28.0	163,993	28.0	107,912	65.8	Israel
16	688.43	Other electrical articles	813,946	53.1	432,562	53.1	106,567	24.6	do
17	207.00	Articles nsfp, of wood	172,446	61.4	105,863	61.4	103,106	97.4	Taiwan
18	618.02	Unwrought aluminum	645,027	19.3	124,482	19.3	102,821	82.6	Brazil
19	727.29	Non-folding chairs of wood other than teak	223,008	67.0	149,364	67.0	101,581	68.0	Yugoslavia
20	685.29	Hand-held citizens band (cb) radio transceivers,	1,114,925	41.1	457,721	41.1	99,107	21.7	S. Korea
21	676.15	Accounting, computing and other data processing machines.	932,535	24.4	227,502	24.4	97,777	43.0	Taiwan
22	737.95	Toys and parts, n.s.p.f.	555,810	75.5	419,881	75.5	95,862	22.8	Macao
23	692.32	Parts nsfp of motor	3,179,733	21.5	682,777	21.5	95,654	14.0	Taiwan
24	654.25	Brass articles, wares	117,875	83.5	98,471	83.5	94,524	96.0	do
25	685.40	Tape recorders and dictation recording: and transcribing machines.	3,702,055	6.9	255,983	6.9	92,969	36.3	Hong Kong
26	727.40	Furniture parts of wood, nsfp	124,088	74.5	92,430	74.5	90,790	98.2	Taiwan
27	657.25	Articles of iron or steel	490,476	29.3	143,694	29.3	87,434	60.8	do
28	618.25	Bars, plates, sheets & strip	922,892	9.7	89,228	9.7	87,335	97.9	Romania
29	727.11	Furniture of unspun fibrous rattan materials and parts, n.s.p.f.	102,661	89.7	92,060	89.7	86,102	93.5	Philippines
30	660.67	Parts of piston-type	466,510	23.9	111,525	23.9	85,125	76.3	Brazil
31	737.30	Stuffed toy animals	296,381	90.8	269,074	90.8	83,122	30.9	Taiwan
32	676.52	Office machine parts	4,812,029	45.1	2,169,787	45.1	81,859	3.8	Malaysia
33	724.45	Magnetic recording media	709,991	14.8	105,128	14.8	79,925	76.0	Hong Kong

Table A-14.--Imports for consumption of leading GSP-eligible items, by descending value of GSP duty-free imports, 1984--Continued

Rank	TSUS item No.	Description	Total U.S. imports for consumption	Imports eligible for GSP treatment				Duty free under GSP	Leading GSP source	Mandatory and discretionary competitive-need exclusions
				1,000 dollars	Share of U.S. imports	Value	Percent			
			1,000 dollars	1,000 dollars	Percent	1,000 dollars	Percent	1,000 dollars		
34	685.70	Electric sound or visual signaling apparatus and parts.	436,655	224,719	51.5	79,075	35.2	Hong Kong	-	
35	657.35	Articles of copper not coated or plated with precious metal.	105,454	79,051	75.0	77,114	97.5	Taiwan	-	
36	737.40	Toy animals etc, n.s.p.f.	98,742	93,115	94.3	75,636	81.2	Hong Kong	12,790	
37	708.45	Eyeglasses, sunglasses, and goggles	215,911	134,190	62.2	74,415	55.5	Taiwan	57,026	
38	155.40	Beet or cane molasses	94,029	72,890	77.5	72,417	99.4	Dominican Republic	-	
39	660.71	Parts for internal combustion engines, n.s.p.f.	658,115	77,972	11.8	70,514	90.4	Brazil	-	
40	678.50	Machines n.s.p.f.	2,724,825	718,647	26.4	69,612	9.7	Singapore	570,212	
41	734.77	Golf equipment n.s.p.f.	96,046	72,472	75.5	66,703	92.0	Taiwan	-	
42	618.06	Unwrought alloys of aluminum	644,930	68,927	10.7	65,213	94.6	Brazil	-	
43	735.20	Game, sport, playground	282,885	211,389	74.7	63,672	30.1	S. Korea	136,288	
44	688.15	Insulated electrical conductors with fittings, n.e.s.	319,710	221,415	69.3	63,490	28.7	Taiwan	130,981	
45	687.72	Diodes and rectifier	315,333	200,916	63.7	63,211	31.5	Brazil	-	
46	156.40	Cocoa unsweeten	138,984	64,450	46.4	63,024	97.8	Brazil	-	
47	740.13	Necklaces and chains, n.e.s.	381,161	68,208	17.9	62,870	92.2	Israel	2,412	
48	618.15	Wrought rods of aluminum	78,096	64,752	82.9	61,759	95.4	Venezuela	1,733	
49	772.20	Containers for packing	156,751	67,173	42.9	60,301	89.8	Taiwan	-	
50	682.60	Generators motors	1,159,846	603,428	52.0	57,706	9.6	Singapore	495,778	
		Total, above items	41,455,636	14,365,917	34.7	5,616,046	39.1		7,013,240	
		Total, all GSP items	99,509,858	29,906,032	30.1	12,995,860	43.5		13,117,631	

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

Note.--Because of rounding, figures may not add to the totals shown.

Table A-15.--Total U.S. imports for consumption and imports eligible for GSP treatment, by SITC Number, 1984

SITC No.	Description	Total U.S. imports for consumption	Imports eligible for GSP treatment				Mandatory and discretionary competitive-need exclusions
			Value	Share of U.S. imports	Value	Share of total imports	
		Million dollars	Percent	Million dollars	Percent	Million dollars	
00	Live animals chiefly for food	626	-	-	-	-	
01	Meat and meat preparations	2,056	96	39	40.2	Argentina	
02	Dairy products and birds' eggs	423	10	9	97.3	Romania	
03	Fish, crustaceans and molluscs	3,680	58	38	64.7	Thailand	
04	Cereals and cereal preparation	428	60	50	82.8	Mexico	
05	Vegetables and fruit	3,657	558	140	25.1	Taiwan	
06	Sugar, sugar preparations and honey	1,472	1,085	608	56.0	Argentina	
07	Coffee, tea, cocoa, spices	4,805	100	95	95.0	Brazil	
08	Feeding stuff for animals	180	1	1	100.0	Argentina	
09	Miscellaneous edible products	301	72	67	93.8	Hong Kong	
11	Beverages	2,858	106	64	60.6	Mexico	
12	Tobacco and tobacco manufactures	636	58	40	68.1	Dominican Republic	
21	Hides, skins and furskins, raw	233	1	1	96.8	Taiwan	
22	Oil seeds and oleaginous fruit	87	1	1	91.4	Turkey	
23	Crude rubber (including synthetic)	1,132	30	30	98.9	Mexico	
24	Cork and wood	2,955	6	4	61.9	Portugal	
25	Pulp and waste paper	1,856	-	-	-	-	
26	Textile fibres and their waste	462	9	9	94.1	Uruguay	
27	Crude fertilizers, and crude minerals	869	95	71	75.0	Mexico	
28	Metalliferous ores and metal stones	2,722	138	65	47.2	Peru	
29	Crude animal and vegetable materials	856	202	62	30.8	Taiwan	
32	Coal, coke and briquettes	151	-	-	100.0	Venezuela	
33	Petroleum, petroleum products	53,110	-	-	21.5	Mexico	
34	Gas, natural and manufactured	4,745	-	-	-	-	
41	Animal oils and fats	8	1	1	13.6	Taiwan	
42	Fixed vegetable oils and fats	656	48	48	98.9	Brazil	
43	Animal and vegetable oils	27	3	3	99.9	Malaysia	
51	Organic chemicals	4,178	321	284	88.5	Mexico	
52	Inorganic chemicals	3,242	105	90	85.8	do	
53	Dyeing, tanning and colouring	601	16	15	92.2	do	
54	Medicinal and pharmaceutical products	1,275	119	96	81.1	Bahamas	
55	Essential oils and perfume materials	632	63	51	81.9	Mexico	
56	Fertilizers, manufactured	1,146	-	-	-	-	
57	Explosives and pyrotechnic products	79	1	1	93.2	Mexico	
58	Artificial resins and plastic	1,412	337	218	64.7	do	
59	Chemical materials and product	903	75	69	92.0	Israel	
61	Leather, leather manufactures	769	464	341	73.5	Brazil	
62	Rubber manufactures, n.e.s.	2,234	456	216	47.3	do	
63	Cork and wood manufactures	1,583	462	304	65.8	Taiwan	
64	Paper, paperboard, and article	5,607	356	197	55.3	Brazil	

Table A-15.--Total U.S. imports for consumption and imports eligible for GSP treatment, by SITC Number, 1984--Continued

SITC No.	Description	Imports eligible for GSP treatment										Mandatory and discretionary competitive-need exclusions	
		Total U.S. imports for consumption	GSP eligible		Duty free under GSP		Share of total U.S. imports		Share of total eligible imports		Leading GSP source		Million dollars
		Million dollars	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Million dollars
65	Textile yarn, fabrics	4,228	172	4.1	117	67.9	Taiwan						46
66	Non-metallic mineral manufactures	6,884	559	8.1	417	74.7	Taiwan						90
67	Iron and steel	10,844	134	1.2	90	67.0	do						36
68	Non-ferrous metals	8,013	962	12.0	688	71.6	Brazil						217
69	Manufactures of metal, n.e.s.	5,977	1,578	26.4	1,062	67.3	Taiwan						407
71	Power generating machinery	6,812	1,219	17.9	319	26.2	Brazil						827
72	Machinery specialized for particular industries.	7,486	373	5.0	174	46.7	do						148
73	Metalworking machinery	2,009	169	8.4	95	56.0	Taiwan						63
74	General industrial machinery	6,582	1,088	16.5	428	39.3	do						524
75	Office machines and automatic	10,607	3,183	30.0	463	14.5	Republic of Korea.						2,300
76	Telecommunications and sound recording.	15,541	2,595	16.7	560	21.6	Hong Kong						1,595
77	Electrical machinery, apparatus	18,287	4,524	24.7	1,391	30.7	Taiwan						2,054
78	Road vehicles	47,322	758	1.6	137	18.1	do						601
79	Other transport equipment	3,775	248	6.6	45	18.3	Hong Kong						95
81	Sanitary, plumbing, heating and lighting fixtures.	401	271	67.5	157	58.0	Taiwan						95
82	Furniture and parts thereof	2,564	982	38.3	537	54.7	do						370
83	Travel goods, handbags and similar containers.	1,267	28	2.2	7	26.4	Republic of Korea.						19
84	Articles of apparel and clothing	13,519	480	3.5	372	77.5	Taiwan						93
85	Footwear	5,021	19	0.4	5	23.6	Hong Kong						14
86	Watch movements	1	-	-	-	-	-						-
87	Professional, scientific and controlling instruments.	2,741	425	15.5	226	53.2	Taiwan						15
88	Photographic apparatus, equipment	3,975	427	10.7	243	57.0	do						101
89	Miscellaneous manufactures articles	12,262	4,177	34.1	2,115	50.6	do						1,625
93	Special transactions, n.e.s.	6,592	3	0.1	3	95.3	Hong Kong						-
94	Animals, live, n.e.s.	49	9	18.7	9	98.4	Indonesia						-
95	Armaments	151	15	9.9	11	70.1	Israel						-
97	Gold	2,881	-	-	-	-	-						-
	Total	320,442	29,906	9.3	12,996	43.5	-						13,118
	1/ Less than \$500,000.												

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

Note.--Because of rounding, figures may not add to the totals shown.

Table A-16.--Total U.S. imports for consumption and imports eligible for GSP treatment, by import categories based on the Standard Industrial Classification (SIC), 1984

SIC	No.	Description	Imports eligible for GSP treatment										Mandatory and discretionary competitive-need exclusions	
			Total U.S. imports for consumption	GSP-eligible		Duty-free under GSP		Share of total U.S. imports		Value		Percent		Million dollars
			Value	Share of total U.S. imports	Value	Share of total U.S. imports	Value	Share of total U.S. imports	Value	Share of total U.S. imports	Percent	Percent	Million dollars	Million dollars
01		Agricultural products	6,935	8.2	118	20.8	565	8.2	118	20.8	8.2	20.8	118	404
02		Livestock and livestock products	977	1.3	13	96.2	13	1.3	13	96.2	1.3	96.2	13	-
08		Forestry products	978	-	1/	100.0	1/	-	1/	100.0	-	100.0	1/	-
09		Fish and other marine products	3,410	1.5	27	53.9	50	1.5	27	53.9	1.5	53.9	27	-
10		Metallic ores and concentrates	1,626	4.0	54	82.2	66	4.0	54	82.2	4.0	82.2	54	-
12		Coal and lignite	44	-	-	-	44	-	-	-	-	-	-	-
13		Oil and gas	37,677	-	-	-	-	-	-	-	-	-	-	-
14		Nonmetallic minerals, except fuel	1,858	5.0	69	74.3	92	5.0	69	74.3	5.0	74.3	69	21
20		Food products	11,997	14.8	1,081	60.8	1,778	14.8	1,081	60.8	14.8	60.8	1,081	568
21		Tobacco	88	54.0	32	67.6	48	54.0	32	67.6	54.0	67.6	32	-
22		Textile mill products	3,467	3.5	92	76.5	121	3.5	92	76.5	3.5	76.5	92	21
23		Apparel	13,907	3.4	264	55.5	476	3.4	264	55.5	3.4	55.5	264	197
24		Lumber and wood	4,838	14.2	500	72.8	687	14.2	500	72.8	14.2	72.8	500	165
25		Furniture and fixtures	2,458	37.9	443	47.5	933	37.9	443	47.5	37.9	47.5	443	418
26		Paper and allied products	7,431	4.5	223	67.6	331	4.5	223	67.6	4.5	67.6	223	96
27		Printing	1,070	7.8	43	51.5	84	7.8	43	51.5	7.8	51.5	43	35
28		Chemicals	11,987	7.1	741	87.1	851	7.1	741	87.1	7.1	87.1	741	31
29		Petroleum refining products	21,059	.0	1	45.1	2	.0	1	45.1	.0	45.1	1	1
3X		Miscellaneous products	611	-	-	-	-	-	-	-	-	-	-	-
30		Rubber and miscellaneous plastics	4,364	27.1	738	62.5	1,181	27.1	738	62.5	27.1	62.5	738	398
31		Leather	6,785	7.5	353	69.5	507	7.5	353	69.5	7.5	69.5	353	122
32		Stone, clay	3,784	15.4	428	73.3	584	15.4	428	73.3	15.4	73.3	428	122
33		Primary metal	22,117	6.0	835	62.5	1,336	6.0	835	62.5	6.0	62.5	835	394
34		Fabricated metal products	6,803	25.6	1,092	62.8	1,738	25.6	1,092	62.8	25.6	62.8	1,092	496
35		Machinery, except electrical	27,619	17.8	1,282	26.1	4,909	17.8	1,282	26.1	17.8	26.1	1,282	3,038
36		Electrical machinery	35,325	21.0	2,128	28.6	7,432	21.0	2,128	28.6	21.0	28.6	2,128	3,706
37		Transportation equipment	54,295	3.2	264	15.2	1,738	3.2	264	15.2	3.2	15.2	264	1,335
38		Instruments	7,699	11.2	459	53.1	865	11.2	459	53.1	11.2	53.1	459	134
39		Miscellaneous manufactures	9,689	35.5	1,702	49.5	3,439	35.5	1,702	49.5	35.5	49.5	1,702	1,396
99		Other imports	9,545	0.9	14	17.4	82	0.9	14	17.4	0.9	17.4	14	-
		Total	320,442	9.3	12,996	43.5	29,906	9.3	12,996	43.5	9.3	43.5	12,996	13,100

1/ Less than \$500,000.

APPENDIX B

**LEADING ITEMS OF TRADE BETWEEN THE UNITED STATES
AND MAJOR TRADING PARTNERS**

Table B-1.--Leading items exported to Canada, by Schedule B items, 1982-84

Schedule: B	Item No.:	Description	(In thousands of dollars)		
			1982	1983	1984
692.29		Parts of motor vehicles, n.e.s.	4,080,389	4,830,004	6,266,397
692.10		On-the-highway, four-wheeled passenger automobiles, ambulances, hearses, motor homes, ski vehicles, and other like motor vehicles.	2,353,905	3,880,744	4,590,582
818.80		Shipments valued \$10,000 and under, n.s.k.	1/	1/	1,227,219
818.90		General merchandise valued \$500 or less, except shipments requiring a validated export license.	770,288	818,217	1,195,987
521.31		Coal; petroleum and other coke; compositions of coal, coke, or other carbonaceous material used for fuel.	1,074,300	972,364	1,139,338
676.55		Parts of automatic data processing, photocopying, calculating, accounting and similar machines incorporating a calculating mechanisms.	548,900	731,146	1,106,824
692.05		Automobile trucks, except truck tractors.	386,040	568,201	1,048,890
676.28		Digital central processing units, auxiliary storage units, input units, output units, and combinations thereof.	547,567	575,748	837,264
605.20		Gold or silver bullion, dore, and gold or silver precipitates.	475,049	760,148	799,864
660.48		Piston-type internal combustion engines, other than compression-ignition engines.	769,308	849,914	697,495
660.52		Parts of piston-type engines, other than compression-ignition engines.	279,825	416,209	549,878
660.54		Parts of compression-ignition piston-type engines, and non-piston-type engines.	317,075	361,190	500,412
664.05		Excavating, levelling, boring, extracting machiner, excluding front-end loaders, pile drivers, not self-propelled snow plows, and parts.	463,271	408,086	460,340
692.20		Bodies (including cabs), and chassis for automobile trucks, trucks, tractors, and motor buses.	220,868	369,424	444,728
475.07		Crude petroleum; topped crude petroleum; crude shale oil; and residual fuel oils derived from petroleum, shale, or both.	573,230	344,372	428,199
666.00		Agricultural and horticultural machinery and parts.	477,702	360,802	407,863
694.65		Parts for aircraft and spacecraft.	263,386	288,846	405,105
660.41		Compression-ignition piston-type engines (diesel).	324,630	263,181	390,155
685.90		Electrical apparatus for making, breaking, protecting, or connecting to electrical circuits, switchboards, and control panels, parts thereof.	241,864	276,959	368,850
687.60		Electronic tubes, transistors, integrated circuits, diodes, rectifiers, mounted piezoelectric, related electronic components, parts.	254,521	278,597	346,259
		Total	14,422,120	17,354,153	23,211,650
		Total, U.S. exports to Canada	32,415,257	36,544,897	44,515,081

1/ Prior to Jan. 1, 1984, trade was assigned to the most likely commodity item in Schedules 1-7.

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

Note.--Because of rounding, figures may not add to the totals shown.

Table B-2.--Leading items imported from Canada, by TSUS items, 1982-84

		(In thousands of dollars)		
TSUS Item No.:	Description	1982	1983	1984
692.11	Passenger automobiles, snowmobiles and other miscellaneous vehicles (Automotive Products Trade Act).	5,810,454	7,278,947	10,125,335
475.15	Natural gas, methane, ethane, propane, butane and mixtures thereof---	4,830,883	4,263,742	4,192,140
692.33	Parts n.s.p.f. of motor vehicles, not alloyed nor advanced beyond cleaning, partly machined (Automotive Products Trade Act).	1,825,754	2,791,045	3,780,775
692.03	Trucks valued at \$1000 or more each (Automotive Products Trade Act)---	2,589,482	2,737,179	3,692,754
252.65	Standard newspaper paper---	2,730,255	2,732,234	3,224,596
475.10	Crude petroleum, topped crude petroleum, crude shale oil, distillate and residual fuel oils, testing 25 degrees a.p.i. or more.	1,256,329	1,895,869	2,477,699
800.00	United States goods returned---	1,561,941	1,768,688	1,964,899
605.20	Gold or silver bullion, dore and precipitates---	1,393,490	1,359,470	1,832,407
475.05	Crude petroleum, topped crude petroleum, crude shale oil, distillate and residual fuel oils, testing under 25 degrees a.p.i.	1,391,012	1,492,531	1,777,058
202.03	Spruce lumber---	1,034,181	1,624,955	1,746,306
250.02	Wood pulp; rag pulp; and other pulps derived from cellulosic fibrous materials and suitable for papermaking.	1,386,688	1,363,975	1,678,908
660.49	Piston-type engines other than compression-ignition engines for automobiles, including trucks and buses (Automotive Products Trade Act).	632,364	1,013,837	1,370,253
480.50	Potassium chloride or muriate of potash---	514,603	485,093	577,687
692.32	Parts n.s.p.f. of motor vehicles, not alloyed nor advanced beyond cleaning, partly machined.	328,778	365,696	546,428
692.21	Automobile truck and motor bus chassis and bodies (Automotive Products Act).	327,268	589,842	543,022
772.51	Pneumatic tires, n.e.s.---	350,372	366,186	486,885
618.02	Unwrought aluminum n.e.s., other than alloys of aluminum---	266,482	353,133	460,450
618.06	Other unwrought alloys of aluminum---	262,719	395,276	445,714
601.24	Iron ore, including manganese, and the dross or residuum from burnt pyrites.	360,352	339,472	413,519
676.52	Office machine parts, n.e.s.---	203,698	246,120	410,456
	Total---	29,057,105	33,463,292	41,747,290
	Total, U.S. imports from Canada---	46,328,510	51,982,346	66,342,454

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

Note.--Because of rounding, figures may not add to the totals shown.

Table B-3.--Leading items exported to the European Community, by Schedule B items, 1982-84
(In thousands of dollars)

Schedule: B Item No.:	Description	1982	1983	1984
676.55	Parts of automatic data processing, photocopying, calculating, accounting and similar machines incorporating a calculating mechanism.	2,016,436	2,392,731	3,046,662
676.28	Digital central processing units, auxiliary storage units, input units, output units, and combinations thereof.	1,958,155	2,145,334	2,648,975
175.41	Soybeans, other than seed for planting	2,801,549	2,190,285	1,766,404
521.31	Coal; petroleum and other coke; compositions of coal, coke, or other carbonaceous material used for fuel.	2,362,094	1,395,641	1,514,639
694.65	Parts for aircraft and spacecraft	1,499,847	1,413,759	1,470,228
660.54	Parts of compression-ignition piston-type engines, and non-piston-type engines.	1,241,734	1,191,283	1,261,055
694.40	Airplanes	783,230	1,112,107	1,027,215
687.60	Electronic tubes, transistors, integrated circuits, diodes, rectifiers, mounted piezoelectric related electronic crystal components, parts.	611,022	630,077	823,152
184.80	Other animal feeds and ingredients therefor, n.s.p.f.	624,222	805,879	728,974
250.02	Wood pulp; rag pulp; and other pulps derived from cellulosic fibrous material fibrous and suitable for paper making.	698,949	650,196	677,733
664.05	Excavating, levelling, boring, extracting machinery, excluding front-end loaders, pile drivers, not self-propelled snow plows, and parts.	877,206	625,338	605,353
712.50	Instruments and apparatus for measuring or checking electrical quantities, except electricity meters, and parts thereof.	494,171	520,980	564,989
678.50	Machines n.s.p.f., and parts thereof	354,211	367,746	509,823
685.90	Electrical apparatus for making, breaking, protecting, or connecting to electrical circuits, switchboards, and control panels, parts thereof.	401,538	401,455	504,642
660.49	Non-piston-type internal combustion engines	342,674	416,833	494,618
130.34	Corn or maize, not donated for relief or charity	787,537	585,604	491,195
170.33	Filler tobacco, cigarette leaf, stemmed and unstemmed	440,280	426,314	471,983
676.27	Digital machines comprising in one housing the central processing unit and input and output capability.	379,126	452,898	470,666
433.10	Chemical mixtures and preparations, n.e.s.	415,457	419,250	403,945
605.70	Precious-metal sweepings and other precious-metal waste and scrap	330,683	589,673	399,557
	Total	19,420,122	18,733,382	19,881,806
	Total, U.S. exports to the European Community	45,723,222	42,420,383	44,795,655

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

Note.--Because of rounding, figures may not add to the totals shown.

Table B-4.--Leading items imported from the European Community, by TSUS items, 1982-84
(In thousands of dollars)

TSUS Item No.:	Description	1982	1983	1984
692.10	Passenger automobiles, snowmobiles, trucks valued under \$1000, and other miscellaneous vehicles.	4,223,000	4,862,718	6,199,971
475.10	Crude petroleum, topped crude petroleum, crude shale oil, distillate and residual fuel oils, testing 25 degrees a.p.i. or more.	5,554,553	4,360,843	4,683,164
800.00	United States goods returned	1,231,110	1,064,611	1,428,986
475.25	Motor fuel, including gasoline and jet fuel	586,151	801,491	1,064,310
694.41	Airplanes and parts thereof of civil aircraft and spacecraft	601,289	549,784	883,814
692.32	Parts n.s.p.f. of motor vehicles, not alloyed nor advanced beyond cleaning, partly machined.	490,061	565,225	776,252
692.34	Tractors suitable for agricultural use and parts thereof.	347,297	508,881	617,433
167.30	Still wine from grapes, not over 14 percent alcohol, in containers not over 1 gallon.	531,827	563,423	605,615
700.45	Leather footwear n.e.s., valued over \$2.50 per pair, not for men, youths or boys.	396,610	467,371	552,510
422.52	Uranium compounds except uranium oxide	279,134	429,775	546,634
676.52	Office machine parts, n.e.s.	222,467	314,162	541,386
660.61	Internal combustion engines, non-piston-type, for aircraft, certified for use in civil aircraft.	587,728	464,008	532,162
678.50	Machines, n.s.p.f., and parts thereof	302,742	298,240	528,220
520.33	Diamonds over 1/2 carat, cut, not set, suitable for jewelry	325,394	380,985	499,417
520.32	Diamonds not over 1/2 carat, cut, not set, suitable for jewelry	353,850	388,261	476,172
765.03	Paintings, pastels, drawings and sketches, executed wholly by hand, original or not.	352,151	410,426	475,601
712.49	Electrical measuring, checking, analyzing, or automatically controlling instruments or apparatus, n.s.p.f., and parts thereof.	285,114	315,923	454,655
607.83	Plates and sheets of iron and steel, not alloyed, not coated or plated with metal and not clad, pickled and cold rolled.	398,713	335,217	433,374
660.73	Parts for internal combustion engines, certified for use in civil aircraft (see headnot 3, subpart c, part 6, schedule 6).	354,363	348,998	374,651
167.05	Ale, porter, stout or beer	298,689	330,532	361,161
	Total	17,722,243	17,760,875	22,035,490
	Total, U.S. imports from the European Community	42,300,204	43,767,725	56,876,278

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

Note.--Because of rounding, figures may not add to the totals shown.

Table B-5.--Leading items exported to Japan, by Schedule B items, 1982-84

		(In thousands of dollars)			
Schedule:	Description	1982	1983	1984	
B					
Item No.:					
130.34	Corn or maize, not donated for relief or charity-----	1,290,169	1,764,341	1,999,244	
175.41	Soybeans, other than seed for planting-----	970,044	1,209,373	1,171,696	
521.31	Coal; petroleum and other coke; compositions of coal, coke, or other carbonaceous material used for fuel.	1,635,447	1,132,895	986,084	
200.35	Logs, softwood and hardwood, including pulpwood, in the rough, hewn, or roughly sided or squared.	837,618	695,493	640,430	
300.10	Cotton, not carded, not combed, and not similarly processed, having a staple length under 1 1/8 inches.	494,846	493,865	590,173	
130.65	Wheat-----	563,648	589,324	534,445	
694.40	Airplanes-----	379,716	786,034	523,062	
694.65	Parts for aircraft and spacecraft-----	467,805	498,220	518,954	
676.55	Parts of automatic data processing, photocopying, calculating, accounting and similar machines incorporating a calculating mechanism.	404,732	414,164	513,923	
475.07	Crude petroleum; topped crude petroleum; crude shale oil; and distillate and residual fuel oils derived from petroleum, shale, or both.	367,108	436,005	475,558	
676.28	Digital central processing units, auxiliary storage units, input units, output units, and combinations thereof.	326,978	357,871	461,553	
422.55	Uranium compounds, excluding uranium oxide, and thorium compounds-----	324,604	268,127	437,719	
678.50	Machines n.s.p.f., and parts thereof-----	260,568	276,085	431,152	
687.60	Electronic tubes, transistors, integrated circuits, diodes, rectifiers, mounted piezoelectric, related electronic crystal components, parts.	214,405	288,841	395,136	
110.46	Fish, fresh, chilled, or frozen, whole or eviscerated, but not otherwise prepared or preserved, and live eels.	375,068	361,241	355,130	
250.02	Wood pulp; rag pulp; and other pulps derived from cellulosic fibrous materials and suitable for paper making.	269,870	299,076	335,563	
106.10	Beef and veal, carcasses and primal cuts, excluding offal, fresh, chilled, or frozen.	229,568	251,345	320,519	
120.14	Whole cattle hides-----	207,170	224,111	305,022	
170.33	Filler tobacco, cigarette leaf, stemmed and unstemmed-----	306,633	335,398	284,154	
130.40	Grain sorghum-----	207,895	85,459	269,815	
	Total-----	10,133,892	10,767,270	11,549,331	
	Total, U.S. exports to Japan-----	20,366,770	21,225,749	22,692,129	

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

Note.--Because of rounding, figures may not add to the totals shown.

Table B-6.--Leading items imported from Japan, by TSUS items, 1982-84

TSUS Item No.:	Description	(In thousands of dollars)		
		1982	1983	1984
692.10	Passenger automobiles, snowmobiles, trucks valued under \$1000 and other miscellaneous vehicles.	9,902,683	11,441,178	13,674,952
685.40	Tape recorders and dictation and transcribing machines, and parts thereof.	1,444,041	2,079,909	3,391,877
692.02	Trucks valued at \$1000 or more each	1,480,349	1,755,177	2,350,539
676.30	Office machines, n.s.p.f.	877,526	1,443,625	2,306,620
676.52	Office machine parts, n.e.s.	677,668	1,019,157	1,623,113
687.74	Electronic tubes, not cathode-ray tubes; transistors and related electronic crystal components; mounted piezoelectric crystals, parts.	423,868	698,423	1,575,771
692.32	Parts n.s.p.f. of motor vehicles, not alloyed nor advanced beyond cleaning, partly machine.	509,647	655,293	1,004,695
678.50	Machines, n.s.p.f., and parts thereof	624,870	684,580	1,001,109
608.13	Sheets of iron and steel, n.s.p.f., not alloyed, coated or plated metal valued over 10¢ per pound.	313,724	451,554	760,462
684.62	Telephonic apparatus and instruments and parts	188,608	340,353	724,406
724.45	Magnetic recording media, no material recorded thereon	272,143	394,905	536,732
722.16	Photographic cameras, other than fixed-focus, over \$10 each, lens not over 50 percent value.	403,131	432,470	534,299
772.51	Pneumatic tires, n.e.s.	359,291	390,134	491,885
685.11	Complete monochrome and color television receivers having video display diagonals of all different sizes.	301,687	287,781	490,405
685.10	Television cameras and parts	252,741	279,742	479,681
685.90	Electrical apparatus for making or breaking electrical circuits, protection of electrical circuits, making connections to or in circuits.	317,454	318,907	469,025
684.70	Microphones, loudspeaker, head phones, etc. and parts	244,486	291,114	445,954
607.83	Plates and sheets of iron and steel, not alloyed, not coated or plated with metal and not clad, pickled and cold rolled.	176,839	269,990	412,983
674.35	Metal-working machine tools, n.e.s.	319,722	226,742	407,767
685.29	Hand-held citizens band (cb) radio transceivers, other transceivers, and non-solid-state radio.	181,697	271,680	407,212
	Total	19,272,177	23,732,714	33,089,486
	Total, U.S. imports from Japan	37,421,594	40,887,306	56,595,926

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

Note.--Because of rounding, figures may not add to the totals shown.

Table B-7.--Leading items exported to Mexico, by Schedule B items, 1982-84

Schedule B Item No.:	Description	(In thousands of dollars)		
		1982	1983	1984
692.29	Parts of motor vehicles, n.e.s.	792,270	458,374	812,998
175.41	Soybeans, other than seed for planting	75,782	234,653	474,303
130.34	Corn or maize, not donated for relief or charity	36,986	676,117	415,146
687.60	Electronic tubes, transistors, integrated circuits, diodes, rectifiers, mounted piezoelectric, related electronic crystal components, parts.	207,286	247,870	387,932
685.90	Electrical apparatus for making, breaking, protecting, or connecting to electrical circuits, switchboards, and control panels, parts thereof.	205,620	198,029	315,085
130.40	Grain sorghum	179,643	454,746	299,299
676.55	Parts of automatic data processing, photocopying, calculating, accounting and similar machines incorporating a calculating mechanism.	130,803	158,543	277,445
660.52	Parts of piston-type engines, other than compression-ignition engines.	68,788	128,703	219,499
175.51	Sunflower seed	189,405	118,550	206,904
685.20	Television apparatus, and parts thereof	173,280	167,896	199,650
685.27	Radiotelegraphic, radiotelephonic, and radiobroadcasting transmission and reception apparatus, and parts thereof, n.s.p.f.	41,971	104,302	188,585
688.12	Ignition wiring sets and wiring sets designed for use in motor vehicles, aircraft, spacecraft, ships, boats and other vessels.	56,661	114,168	178,706
660.54	Parts of compression-ignition piston-type engines, and non-piston-type engines.	162,723	71,150	163,614
682.60	Generators, motor-generators, rotating converters, rectifiers and rectifying apparatus, coils, inductors, lamp ballcasts, and parts thereof.	114,697	94,082	154,432
475.67	Mixtures of hydrocarbons n.s.p.f., wholly of petroleum, shale oil, natural gas, containing by weight not over 50 percent of any single compound.	114,009	109,697	128,039
256.71	Other paper and paperboard, cut to size or shape; other articles of pulp, papier-mache, paper, or paperboard n.e.s.	118,550	134,660	114,382
250.02	Wood pulp; rag pulp; and other pulps derived from cellulosic fibrous materials and suitable for paper making.	90,735	74,093	106,302
678.50	Machines n.s.p.f., and parts thereof	98,293	77,870	103,985
664.05	Excavating, levelling, boring, extracting machiner, excluding front-end loaders, pile drivers, not self-propelled snow plows, and parts.	230,126	56,984	97,859
404.05	Cyclic intermediate hydrocarbon compounds, except derivatives	68,013	64,700	96,808
	Total	3,155,641	3,745,185	4,940,973
	Total, U.S. exports to Mexico	11,025,836	8,755,231	11,461,203

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

Note.--Because of rounding, figures may not add to the totals shown.

Table B-8.--Leading items imported from Mexico, by TSUS items, 1982-84

TSUS Item No.:	Description	(In thousands of dollars)		
		1982	1983	1984
475.05	Crude petroleum, topped crude petroleum, crude shale oil, distillate	3,148,687	4,218,931	3,990,415
	and residual fuel oils, testing under 25 degrees a.p.i.			
475.10	Crude petroleum, topped crude petroleum, crude shale oil, distillate	4,648,429	3,637,542	3,336,311
	and residual fuel oils, testing 25 degrees a.p.i. or more.			
660.48	Piston-type engines other than compression ignition for automobiles,	196,085	413,205	513,505
	including trucks and buses.			
692.32	Parts n.s.p.f. of motor vehicles, not alloyed nor advanced beyond	190,556	262,569	394,614
	cleaning, partly machined.			
114.45	Shellfish other than clams, crabs or oysters-----	396,110	404,601	389,603
160.10	Coffee, crude, roasted or ground-----	264,408	275,373	322,501
605.20	Gold or silver bullion, dore and precipitates-----	273,578	324,830	319,431
688.12	Ignition wiring sets and wiring sets for transportation equipment-----	130,885	206,685	308,277
800.00	United States goods returned-----	306,312	265,168	303,854
685.90	Electrical apparatus for making or breaking electrical circuits,	187,908	226,259	292,658
	protection of electrical circuits, making connections to or in			
	circuits.			
475.15	Natural gas, methane, ethane, propane, butane and mixtures thereof-----	610,721	507,025	279,334
676.52	Office machine parts, n.e.s-----	128,142	168,795	258,312
685.16	Main printed circuit boards for color television receivers, except	124,690	250,590	244,330
	tuners or convergence assemblies, n.e.s.			
682.60	Generators, motors, motor-generators, converters, transformers,	100,018	132,797	213,091
	rectifiers, rectifying apparatus, inductors, other electrical			
	goods, parts, n.e.s.			
678.50	Machines, n.s.p.f., and parts thereof-----	41,482	123,300	183,295
685.22	Converters, amplifiers and couplers designed for cable television	1/	1/	171,151
	applications, video players, and other television apparatus and			
	parts n.e.s.			
999.95	Under \$251 formal and informal entries estimated-----	97,164	130,497	138,977
688.15	Insulated electrical conductors with fittings, n.e.s-----	94,551	105,983	130,981
475.35	Naphthas derived from petroleum, shale oil, natural gas or	-	62,872	130,492
	combinations thereof, except motor fuel.			
685.80	Electric capacitors, fixed or variable-----	81,184	81,413	121,814
	Total-----	11,020,912	11,798,436	12,042,947
	Total, U.S. imports from Mexico-----	15,488,040	16,618,938	17,762,399
	1/ Prior to Apr. 1, 1984, this item was classified under the now-deleted and more comprehensive item 685.19.			

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

Note.--Because of rounding, figures may not add to the totals shown.

Table B-9.--Leading items exported to Taiwan, by Schedule B items, 1982-84

		(In thousands of dollars)			
Schedule:	Description	1982	1983	1984	
B					
Item No.:					
130.34	: Corn or maize, not donated for relief or charity-----	238,987	431,229	424,915	
175.41	: Soybeans, other than seed for planting-----	285,560	362,647	390,637	
694.65	: Parts for aircraft and spacecraft-----	165,619	161,209	216,454	
687.60	: Electronic tubes, transistors, integrated circuits, diodes, : rectifiers, mouted piezoelectric, related electronic crystal : components, parts.	161,616	181,778	193,028	
300.10	: Cotton, not carded, not combed, and not similarly processed, having : a staple length under 1 1/8 inches.	203,578	89,487	152,014	
475.07	: Crude petroleum; topped crude petroleum; crude shale oil; and : distillate and residual fuel oils derived from petroleum, : shale, or both.	26,254	97,370	141,114	
676.55	: Parts of automatic data processing, photocopying, calculating, : accounting and similar machines incorporating a calculating, : mechanism.	56,181	96,319	130,441	
120.14	: Whole cattle hides-----	54,578	87,154	117,280	
480.80	: Fertilizers and fertilizer materials n.s.p.f., including natural : fertilizers or animal or vegetable origin.	33,023	52,070	115,720	
521.31	: Coal; petroleum and other coke; compositions of coal, coke, or other : carbonaceous material for fuel.	95,825	83,084	109,180	
130.65	: Wheat-----	108,951	106,693	109,118	
492.59	: Nuclear reactor fuel, including spent fuel, but excluding fuel in : fuel rod assemblies.	1	119,740	84,627	
676.28	: Digital central processing units, auxiliary storage units, input : units, output units, and combinations thereof.	52,519	50,526	82,685	
250.04	: Waste paper and paperboard; scrap paper and paperboard products fit : only for remanufacture; flax and hemp fibers to be used in paper : making.	40,604	53,178	73,320	
401.01	: Benzene, toluene, xylenes, cumene, naphthalene, and other specified : hydrocarbons.	31,680	54,351	67,905	
170.33	: Filler tobacco, cigarette leaf, stemmed and unstemmed-----	57,899	50,363	64,514	
685.90	: Electrical apparatus for making, breaking, protecting, or connecting : to electrical circuits, switchboards, and control panels, parts : thereof.	57,996	58,710	55,748	
685.20	: Television apparatus, and parts thereof-----	57,374	55,351	51,481	
607.08	: Carbon steel and iron waste and scrap-----	49,993	69,139	50,885	
712.50	: Instruments and apparatus for measuring or checking electric : quantities, except electricity meters, and parts thereof.	38,713	39,652	45,801	
	: Total-----	1,816,951	2,300,052	2,676,867	
	: Total, U.S. exports to Taiwan-----	4,085,475	4,296,135	4,658,027	

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

Note.--Because of rounding, figures may not add to the totals shown.

Table B-10.--Leading items imported from Taiwan, by TSUS items, 1982-84

TSUS Item No.:	Description	(In thousands of dollars)		
		1982	1983	1984
700.56	Footwear having uppers over 90 percent of exterior surface area of rubber or plastics, n.e.s.	492,418	539,249	717,899
676.30	Office machines, n.s.p.f.	21,269	139,492	348,391
379.95	Men's or boys' coats, shirts, suits, swimwear, trousers, slacks and shorts.	263,126	255,553	341,744
661.06	Fans and blowers, and parts, n.s.p.f., whether operated by hand or any kind of power unit.	148,113	191,377	328,256
383.80	Womens, girls, or infants knit blouses, body shirts, body suits, shirts, and sweaters, or man-made fibers, not ornamented.	240,766	302,031	326,208
685.11	Complete monochrome and color television receivers having video display diagonals of all different sizes.	214,901	280,735	318,216
685.50	Radiotelegraphic and radiotelephonic transmission and reception apparatus, n.e.s.	220,030	226,446	284,793
700.35	Footwear n.s.p.f., of leather, for men, youths and boys	126,811	190,806	267,407
706.41	Other handbags and luggage of textile materials n.s.p.f.	1/ 190,450	213,298	253,986
383.90	Womens, girls, or infants blouses, coats, shirts, suits, trousers, slacks, and shorts, not knit, of man-made fibers, not ornamented.	182,570	210,379	237,102
676.52	Office machine parts, n.e.s.	86,508	144,423	224,184
687.74	Electronic tubes; not cathode-ray tubes; transistors and related electronic crystal components; mounted piezoelectric crystals, parts.	110,735	133,022	214,589
684.62	Telephonic apparatus and instruments and parts	41,541	219,742	202,225
678.50	Machines, n.s.p.f., and parts thereof	124,421	122,518	191,655
700.45	Leather footwear n.e.s., valued over \$2.50 per pair, not for men, youths or boys.	52,551	126,165	178,601
706.62	Luggage and handbags, fitted or unfitted, of materials n.e.s.	139,578	157,142	171,304
727.35	Furniture of wood, other than chairs	84,395	126,204	167,662
684.70	Microphones, loudspeaker, head phones, etc. and parts	100,159	120,433	157,122
685.22	Converters, amplifiers and couplers designed for cable television applications, video players, and other television apparatus and parts n.e.s.	2/	2/	148,149
735.20	Puzzles; game, sport, gymnastic, athletic, or playground equipment; all the foregoing and parts thereof, n.s.p.f.	64,805	84,668	137,057
	Total	2,905,147	3,783,683	5,216,549
	Total, U.S. imports from Taiwan	8,863,305	11,193,077	14,706,390

1/ Prior to Mar. 31, 1982, this item was classified under the now-deleted item 706.28.

2/ Prior to Apr. 1, 1984, this item was classified under the now-deleted and more comprehensive item 685.19.

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

Note.--Because of rounding, figures may not add to the totals shown.

Table B-11.--Leading items exported to Korea, by Schedule B items, 1982-84

		(In thousands of dollars)			
Schedule:	Description	1982	1983	1984	
Item No.:					
687.60	Electronic tubes, transistors, integrated circuits, diodes, rectifiers, mounted piezoelectric, related electronic crystal components, parts.	278,349	390,449	481,760	
300.10	Cotton, not carded, not combed, and not similarly processed, having a staple length under 1 1/8 inches.	385,974	355,196	418,623	
130.34	Corn or maize, not donated for relief or charity.	331,720	559,692	327,829	
130.65	Wheat.	298,758	304,772	293,819	
694.65	Parts for aircraft and spacecraft.	180,780	249,589	256,736	
120.14	Whole cattle hides.	143,030	165,354	242,639	
175.41	Soybeans, other than seed for planting.	141,879	201,200	186,788	
607.08	Carbon steel and iron waste and scrap.	111,417	109,770	158,710	
475.07	Crude petroleum; topped crude petroleum; crude shale oil; and distillate and residual fuel oils derived from petroleum, shale, or both.	269,450	125,498	126,832	
521.31	Coal; petroleum and other coke; compositions of coal, coke, or other carbonaceous material used for fuel.	127,122	108,145	121,780	
678.50	Machines n.s.p.f., and parts thereof.	42,581	57,157	117,618	
250.04	Waste paper and paperboard; scrap paper and paperboard products fit only for remanufacture; flax and hemo fibers to be used in paper making.	61,699	73,234	103,367	
684.62	Electrical telegraph (including printing and typewriting) and telephone apparatus and instruments; and parts thereof, n.s.p.f.	197,154	169,905	100,106	
694.40	Airplanes.	61,969	2,322	95,472	
200.35	Logs, softwood and hardwood, including pulpwood, in the rough, split, hewn, or roughly sided or squared.	86,681	96,797	87,745	
250.02	Wood pulp; rag pulp; and other pulps derived from cellulosic fibrous materials and suitable for paper making.	52,698	71,717	75,573	
676.55	Parts of automatic data processing, photocopying, calculating, accounting and similar machines incorporating a calculating mechanism.	43,660	88,071	75,442	
676.28	Digital central processing units, auxiliary storage units, input units, output units, and combinations thereof.	45,597	60,629	64,994	
404.05	Cyclic intermediate hydrocarbon compounds, except derivatives.	20,417	46,482	61,319	
685.90	Electrical apparatus for making, breaking, protecting, or connecting to electrical circuits, switchboards, and control panels, parts thereof.	47,991	63,565	59,131	
	Total.	2,928,924	3,299,544	3,456,281	
	Total, U.S. exports to Korea.	5,318,136	5,684,605	5,785,966	

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

Note.--Because of rounding, figures may not add to the totals shown.

Table B-12.--Leading items imported from Korea, by TSUS items, 1982-84

TSUS Item No.:	Description	1982	1983	1984
(In thousands of dollars)				
687.74	Electronic tubes, not cathode-ray tubes; transistors and related electronic crystal components; mounted piezoelectric crystals, parts.	273,407	448,810	721,651
379.95	Men's or boys' coats, shirts, suits, swimwear, trouser, slacks, and shorts.	302,470	302,491	424,175
685.11	Complete monochrome and color television receivers having video display diagonals of all different sizes.	205,079	340,534	409,432
700.35	Footwear n.s.p.f., of leather, for men, youths and boys-----	270,090	251,616	324,845
610.32	Iron or steel pipes and tubes, welded, jointed, or seamed, not alloyed, 0.375 inch or more in outside diameter.	200,752	229,994	270,520
791.76	Leather wearing apparel, n.s.p.f., other than reptile leather, and other than in chief weight of textile material.	146,156	175,293	252,722
678.50	Machines, n.s.p.f., and parts thereof-----	88,645	124,958	179,773
684.25	Microwave ovens-----	50,212	93,741	173,569
700.45	Leather footwear n.e.s., valued over \$2.50 per pair, not for men, youths or boys.	99,316	102,504	173,200
737.30	Stuffed toy figures of animate objects, valued over 10 cents per inch of height.	47,230	63,268	170,368
383.80	Womens, girls, or infants knit blouses, body shirts, body suits, shirts and sweaters, of man-made fibers, not ornamented.	157,719	183,005	169,290
772.51	Pneumatic tires, n.e.s.-----	81,642	124,202	158,166
383.90	Womens, girls or infants blouses, coats, shirts, suits, trousers, slacks and shorts, not knit, or man-made fibers, not ornamented.	125,632	145,341	147,767
700.95	Footwear, n.e.s., used on daily basis for men, youths, boys, women, misses, children and infants.	135,987	244,410	147,245
607.83	Plates and sheets of iron and steel, not alloyed, not coated or plated with metal and not clad, pickled and cold rolled.	29,311	72,100	143,505
685.50	Radiotelegraphic and radiotelephonic transmission and reception apparatus, n.e.s.	67,560	87,029	136,517
379.90	Men's or boys' other knit shirts and sweaters of man-made fibers, not ornamented.	99,968	98,594	133,742
676.30	Office machines, n.s.p.f.-----	17,058	54,509	119,023
791.15	Fur wearing apparel n.s.p.f., of mink and other animals n.e.s.-----	47,563	77,935	109,568
338.50	Woven fabrics, of man-made fibers, except containing over 17 percent wool, and except of glass.	79,703	102,230	108,493
	Total-----	2,525,500	3,322,565	4,473,572
	Total, U.S. imports from Korea-----	5,631,419	7,180,827	9,295,050

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

Note.--Because of rounding, figures may not add to the totals shown.

Table B-13.--Leading items exported to Brazil, by Schedule B items, 1982-84
(In thousands of dollars)

Schedule: B Item No.:	Description	1982	1983	1984
130.65	Wheat-----	428,969	423,196	395,834
521.31	Coal; petroleum and other coke; compositions of coal, coke, or other carbonaceous material used for fuel.	206,446	201,653	250,178
676.55	Parts of automatic data processing, photocopying, calculating, accounting and similar machines incorporating a calculating mechanism.	128,328	95,754	151,974
664.05	Excavating, levelling, boring, extracting machine, excluding front-end loaders, pile drivers, not self-propelled snow plows, and parts.	349,810	139,037	104,379
685.27	Radiotelegraphic, radiotelephonic, and radiobroadcasting transmission and reception apparatus, and parts thereof, n.s.p.f.	41,560	64,253	80,717
660.54	Parts of compression-ignition piston-type engines, and non-piston-type engines.	75,029	61,809	69,805
694.65	Parts for aircraft and spacecraft-----	73,867	88,915	63,000
433.10	Chemical mixtures and preparations, n.e.s-----	77,904	54,003	57,416
446.15	Synthetic rubber-----	37,324	41,499	48,240
480.70	Phosphoric fertilizers and fertilizer materials-----	20,908	-	47,285
687.60	Electronic tubes, transistors, integrated circuits, diodes, rectifiers, mounted piezoelectric, related electronic crystal components, parts.	30,401	33,814	43,488
676.28	Digital central processing units, auxiliary storage units, input units, output units, and combinations thereof.	70,312	43,819	43,204
692.29	Parts of motor vehicles, n.e.s-----	23,705	22,325	28,894
480.50	Potassium chloride or muriate of potash-----	15,463	892	27,851
694.40	Airplanes-----	62,671	142,743	26,539
685.90	Electrical apparatus for making, breaking, protecting, or connecting to electrical circuits, switchboards, and control panels, parts thereof.	35,856	22,012	25,721
176.52	Soybean oil-----	2,896	-	25,077
415.45	Sulfur, native elemental, or recovered-----	10,646	11,810	23,903
692.38	Parts of tractors, except for automobile truck and off-the-highway platform tractors.	32,238	12,738	20,306
480.65	Nitrogenous fertilizers and fertilizer materials-----	37,715	17,474	19,187
	Total-----	1,762,048	1,477,747	1,552,997
	Total, U.S. exports to Brazil-----	3,369,317	2,519,977	2,585,245

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

Notes.--Because of rounding, figures may not add to the totals shown.

Table B-14.--Leading items imported from Brazil, by TSUS items, 1982-84

TSUS Item No.:	Description	(In thousands of dollars)			
		1982	1983	1984	
700.45	Leather footwear n.e.s., valued over \$2.50 per pair, not for men, youths or boys.	291,505	435,375	725,490	
160.10	Coffee, crude, roasted or ground-----	559,208	563,897	677,889	
165.35	Citrus fruit juices, other than lime, not mixed, concentrated, not over 1 percent ethyl alcohol.	307,153	271,214	568,403	
475.25	Motor fuel, including gasoline and jet fuel-----	142,745	262,117	378,517	
475.05	Crude petroleum, topped crude petroleum, crude shale oil, distillate and residual fuel oils testing under 25 degrees a.p.i.	218,905	255,708	312,088	
660.48	Piston-type engines other than compression-ignition for automobiles, including trucks and buses.	111,051	186,463	205,387	
155.20	Sugars, sirups and molasses, derived from sugar cane or sugar beets, principally of crystalline structure or in dry amorphous form.	88,857	119,034	129,071	
622.02	Tin other than alloys of tin, unwrought-----	31,675	70,885	126,190	
692.32	Parts n.s.p.f. of motor vehicles, not alloyed nor advanced beyond cleaning, partly machined.	39,330	58,033	121,986	
160.20	Coffee, soluble or instant, not containing sugar or other additive-----	110,984	109,148	119,930	
427.88	Ethyl alcohol for nonbeverage purposes-----	18,717	71,240	115,723	
114.45	Shellfish other than clams, crabs, or oysters-----	87,630	75,405	114,044	
700.35	Footwear n.s.p.f., of leather, for men, youths and boys-----	51,083	67,003	109,954	
607.83	Plates and sheets of iron and steel, not alloyed, not coated or plated with metal and not clad, pickled and cold rolled.	17,626	114,168	92,998	
610.32	Iron or steel pipes and tubes, welded, jointed, or seamed, not alloyed, 0.375 inch or more in outside diameter.	26,157	46,265	82,437	
800.00	United States goods returned-----	55,715	79,157	76,181	
156.35	Cocoa butter-----	37,177	49,581	75,585	
772.51	Pneumatic tires, n.e.s.-----	12,047	20,291	74,628	
156.20	Chocolate, unsweetened-----	25,116	49,388	65,219	
250.02	Wood pulp; rag pulp; and other pulps derived from cellulosic fibrous materials and suitable for papermaking.	51,318	42,839	64,482	
	Total-----	2,283,999	2,947,213	4,236,200	
	Total, U.S. imports from Brazil-----	4,171,429	4,943,437	7,207,997	

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

Note.--Because of rounding, figures may not add to the totals shown.

